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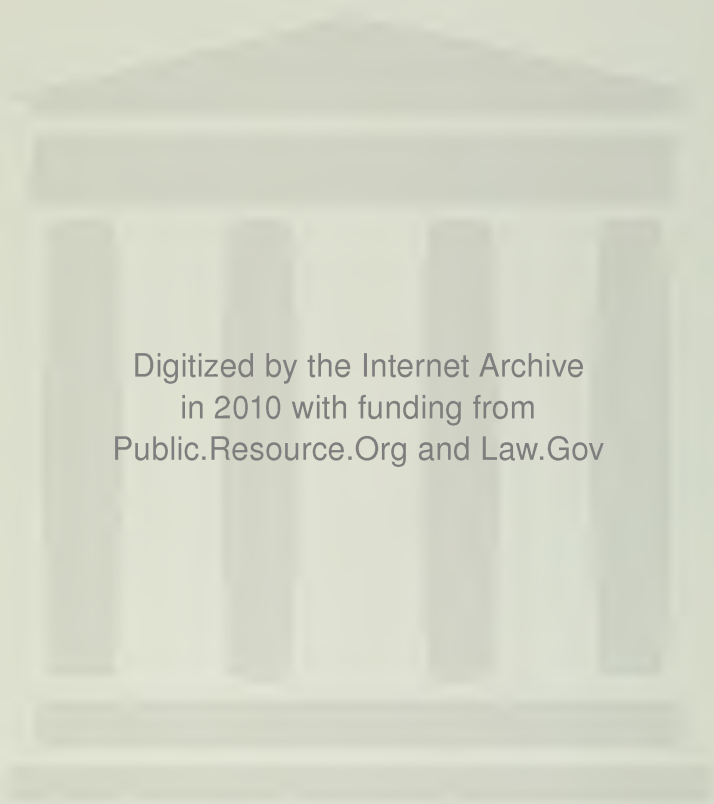
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2478

No. 11644

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

SAMPSON MOTORS, INC., a corporation,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

TRANSCRIPT OF RECORD

Upon Appeal from the District Court of the United States
for the Southern District of California,
Central Division

FILED

AUG - 4 1947

PAUL P. O'BRIEN,

CLERK

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italics; and likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible an omission from the text is indicated by printing in italics the two words between which the omission seems to occur.]

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Los Angeles 12, Calif. [1*]

In the District Court of the United States in and for the
Southern District of California
Central Division

No. 5503-PH Civil

UNITED STATES OF AMERICA,

Plaintiff,

v.

SAMPSON MOTORS, INC., a corporation, and LOCK-
HEED AIRCRAFT CORPORATION, a corporation,
Defendants.

COMPLAINT FOR MONEY JUDGMENTS

The United States of America, plaintiff, by James M. Carter, its attorney for the Southern District of California, says that:

COUNT ONE

I.

Sampson Motors, Inc., is a corporation duly organized and doing business under and by virtue of the laws of the State of California, and having its principal office and place of business in the County of Los Angeles, California.

Lockheed Aircraft Corporation is a corporation duly organized and doing business under and by virtue of the laws of the State of California, and having its principal office and place of business in the County of Los Angeles, California. [2]

II.

Jurisdiction of this action is granted to the court by the provisions of Section 24, of the Judicial Code as

amended (28 U. S. C. 41[1]) and by the provisions of Section 403(c) of the Renegotiation Act.

III.

After due notice to defendant, Sampson Motors, Inc., proceedings for the renegotiation of said defendant's contracts and subcontracts were had and conducted by representatives of the Secretary of War. Thereafter, and on the 31st day of July, 1944, the Under-Secretary of War, acting under and by virtue of the Renegotiation Act and pursuant to authority delegated to him, duly determined, in accordance with law, that of the profits realized by said defendant during its fiscal year ended November 30, 1942, on its contracts and subcontracts subject to renegotiation, Sixty Thousand (\$60,000.00) Dollars were excessive profits. Demand was made upon the defendant for payment to the United States of such excessive profits, less the appropriate tax credit, if any. A full, true and correct copy of the order and determination of the Under-Secretary of War is attached hereto as Exhibit "A." and by this reference made a part hereof.

IV.

The tax credit to which defendant Sampson Motors, Inc., is entitled under Section 3806 of the Internal Revenue Code, is in the amount of Forty-two Thousand Eight Hundred Twenty-three and 67/100 (\$42,823.67) Dollars. This tax credit is computed upon the assumption that the profits determined to be excessive were returned as income by said defendant for tax purposes, and that the appropriate taxes have been or will be paid upon such profits.

V.

Defendant Sampson Motors, Inc., has not petitioned the Tax Court of the United States for a re-determination of

the amount of excessive profits received by it, as provided by Section 403(e) of the Renegotiation Act, and the period for filing such petition has expired. [3]

VI.

On October 6, 1944, the Under Secretary of War by a written order sent by mail to defendant, Lockheed Aircraft Corporation, directed said defendant, Lockheed Aircraft Corporation, to withhold for the account of the United States any and all amounts not in excess of \$9,000.00 which were otherwise due or should become due from said defendant, Lockheed Aircraft Corporation, to defendant, Sampson Motors, Inc.; thereafter on January 8, 1945, the Under Secretary of War by a written order sent by mail to defendant, Lockheed Aircraft Corporation, modified his aforesaid order dated October 6, 1944, by directing said defendant, Lockheed Aircraft Corporation, to withhold for the account of the United States any and all amounts not in excess of \$19,000.00 (instead of \$9,000.00 as originally specified) which were otherwise due or should become due from said defendant, Lockheed Aircraft Corporation, to defendant, Sampson Motors, Inc.; thereafter on May 9, 1945, the Under Secretary of War modified his aforesaid order dated January 8, 1945, by directing said defendant, Lockheed Aircraft Corporation, to withhold for the account of the United States any and all amounts not in excess of \$17,543.08 (instead of \$19,000.00 as originally specified by said order of January 8, 1945) which were otherwise due or should become due from said defendant, Lockheed Aircraft Corporation, to defendant, Sampson Motors, Inc. The net amount of said excessive profits less the tax credit aforesaid is the sum of \$17,176.33; plaintiff is entitled to recover from defendant,

Sampson Motors, Inc., interest at the rate of 6% per annum on said sum of \$17,176.33 and on the balances of said sum remaining from time to time due plaintiff; Lockheed Aircraft Corporation has withheld from defendant, Sampson Motors, Inc., at various times since October 6, 1944, various amounts aggregating \$17,543.08, all pursuant to and in accordance with the withholding orders aforesaid; the last date on which defendant, Lockheed Aircraft Corporation, withheld for the use of plaintiff monies otherwise due defendant, Sampson Motors, Inc., pursuant to said withholding orders was November 2, 1945; and that there is now due plaintiff from defendant, Sampson Motors, Inc., a balance of \$30.20 with interest at the rate of 6% per annum from November 2, 1945, [4] no part of which has been paid or otherwise eliminated.

COUNT TWO

VII.

Plaintiff by reference realleges each of the allegations set forth in paragraphs I, II, III, IV, V, and VI of Count One.

VIII.

Though defendant, Lockheed Aircraft Corporation, has been requested by plaintiff so to do, it has failed and refused and still refuses to pay to plaintiff the amounts it has so withheld.

Wherefore, plaintiff demands judgment as follows:

Against defendant, Sampson Motors, Inc., in the sum of \$30.20 with interest at the rate of 6% per annum from November 2, 1945.

Against defendant, Lockheed Aircraft Corporation, requiring that it render an account of all monies that have

become due from it to defendant, Sampson Motors, Inc., since its receipt of the withholding orders aforesaid, and that upon said account being stated defendant, Lockheed Aircraft Corporation, be required by the judgment of this Court to pay to the plaintiff the amount which defendant, Lockheed Aircraft Corporation, was required by the terms of said withholding orders to withhold for plaintiff's use.

JAMES M. CARTER

United States Attorney

RONALD WALKER

Assistant United States Attorney
Chief of Civil Division

ROBERT E. WRIGHT

Assistant United States Attorney
Attorneys for Plaintiff [5]

EXHIBIT "A"

WAR DEPARTMENT

OFFICE OF THE UNDER SECRETARY

Washington

DETERMINATION OF EXCESSIVE PROFITS

Pursuant to Section 403 of the Sixth Supplemental National Defense Appropriation Act, 1942, as amended, which term refers to said Act as last amended 14 July 1943 and as affected by Title VII of the Revenue Act of 1943 so far as applicable.

Whereas, Sampson Motors, Inc. (hereinafter referred to as the Contractor), holds contracts and subcontracts subject to renegotiation pursuant to the provisions of Section 403 of the Sixth Supplemental National Defense Ap-

propriation Act, 1942, as amended (hereinafter referred to as the Act); and

Whereas, renegotiation has taken place between the Under Secretary of War and the Contractor, pursuant to the provisions of the Act, for the purpose of eliminating excessive profits realized by the Contractor during its fiscal year ended 30 November 1942, under said contracts and subcontracts; and

Whereas, as a basis for said renegotiation the Under Secretary of War considered certain financial, operating and other data, submitted by the Contractor or obtained by the Under Secretary of War from governmental or other reliable sources, relating to the profits realized by the Contractor during said fiscal year under said contracts and subcontracts; and

WHEREAS, the Contractor has been granted full opportunity to submit such additional information and to present such contentions as the Contractor deemed material in determining the excessiveness of said profits and the renegotiability of such contracts and subcontracts, at hearings of which due notice was given, and due consideration has been given to the financial, operating and other data and information so furnished or obtained and each of the contentions so presented;

Now, Therefore, pursuant to the authority and discretion vested in the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, the Chairman of the Maritime Commission, the Administrator of the War [6] Shipping Administration, and the respective Boards of Directors of the Defense Plant Corporation, Metals Reserve Company, Defense Supplies Corporation and

Rubber Reserve Company under the provisions of the Act, and duly delegated to the Under Secretary of War under subsection (f) thereof, it is hereby found and determined:

That \$60,000 of the profits realized by the Contractor during its fiscal year ended 30 November 1942, under its contracts and subcontracts subject to renegotiation pursuant to the provisions of the Act, are excessive.

That in connection with the payment or discharge by any means of the amount of excessive profits determined hereby to have been realized by the Contractor, the Contractor shall be credited with any amount to which it may be entitled under Section 3806 of the Internal Revenue Code as computed by the Commissioner of Internal Revenue.

That the Contractor is directed to repay such excessive profits less such tax credit, if any, to the Treasurer of the United States.

That the excessive profits so found and determined shall be eliminated by any of the methods provided in the Act or any combination thereof; and the Commanding General, Army Service Forces, and the Commanding General, Army Air Forces, are hereby authorized and directed to take any and all action which may be necessary or desirable to effect such elimination.

ROBERT P. PATTERSON

Under Secretary of War

31 July 1944

24-55147ABC

[Title of District Court and Cause]

ANSWER OF DEFENDANT LOCKHEED
AIRCRAFT CORPORATION

To the Honorable the Judges of the District Court of the
United States in and for the Southern District of
California, Central Division:

Now comes Lockheed Aircraft Corporation, a corporation, one of the defendants herein, and for and on behalf of itself and for no other party, in answering plaintiff's complaint on file herein admits, denies and alleges as follows:

COUNT ONE

I.

Answering paragraph I of Count One of said complaint on file herein defendant Lockheed Aircraft Corporation admits that it is a corporation duly organized and doing business under and by virtue of the laws of the State of California and has its principal office and place of business in the County of Los Angeles, State of California. Other than heretofore admitted, this defendant has no information or belief sufficient to enable it to answer the allegations contained in said paragraph I of said Count One of plaintiff's [8] complaint on file herein and on said ground denies each and every and all of the allegations in said paragraph contained.

II.

Answering paragraph II of Count One of plaintiff's complaint on file herein, defendant Lockheed Aircraft Corporation admits the allegations in said paragraph contained.

III.

Answering paragraphs III, IV and V of Count One of plaintiff's complaint on file herein, defendant Lockheed Aircraft Corporation has no information or belief sufficient to enable it to answer the allegations in said paragraphs of said Count One of plaintiff's complaint on file herein and on said ground denies each and every and all of the allegations in said paragraphs contained.

IV.

Answering paragraph VI of Count One of plaintiff's complaint on file herein, this defendant admits that on or about October 12, 1944, it received a written order from the Under Secretary of War directing this defendant to withhold for the account of the United States any and all amounts not in excess of \$9,000.00 which were otherwise due or should become due from this defendant to defendant Sampson Motors, Inc. This defendant further admits that on or about January 13, 1945, this defendant received a written order dated January 8, 1945, from the Under Secretary of War directing this defendant to withhold for the account of the United States any and all amounts not in excess of \$19,000.00 which were otherwise due or should become due from this defendant to the defendant Sampson Motors, Inc. This defendant further admits that on or about May 18, 1945, this defendant received a written order dated May 9, 1945, modifying the aforesaid directive of the Under Secretary of War dated January 8 1945, whereby this defendant was ordered to withhold

for the account of the United States any and all amounts not in excess of \$17,543.08 which were otherwise due or should become due from this defendant to defendant Sampson Motors, Inc. This defendant further admits that pursuant to the aforesaid directives of the Under Secretary of War, this defendant has withheld from defendant Sampson Motors, Inc., the sum of \$17,556.54, in such amounts and on such divers dates as indicated in the [9] attached Schedule of Amounts Withheld, which said schedule is marked Exhibit "A" and by this reference incorporated herein and made a part hereof. Save and except as heretofore admitted, this defendant has no information or belief sufficient to enable it to answer the allegations contained in paragraph VI of Count One of plaintiff's complaint on file herein and on said ground denies each and every and all of the allegations in said paragraph contained.

COUNT TWO

V.

Answering paragraph VII of Count Two of plaintiff's complaint on file herein, this defendant reallages the admissions, denials and allegations set forth in paragraphs I, II, III and IV of Count One hereof and by this reference incorporates the same herein as though fully set forth at this place.

VI.

Answering paragraph VIII of Count Two of plaintiff's complaint on file herein, this defendant admits that it has

refused to pay to plaintiff the amounts it has withheld from defendant Sampson Motors, Inc., as aforesaid and in this connection this defendant is informed, and believes, that said amount of \$17,556.54, and the whole thereof, which this defendant has withheld from defendant Sampson Motors, Inc., as aforesaid, is claimed by the said defendant Sampson Motors, Inc.

This defendant further alleges that it has no interest in or claim to the said sum of \$17,556.54, or any part thereof, but will continue to withhold the said sum, and the whole thereof, pursuant to said directives as aforesaid and until otherwise ordered by this court or other competent authority.

Wherefore, This Defendant Prays:

That this court make its order directing the disposition of the funds withheld by this answering defendant as hereinabove in paragraph VI described and that this action be dismissed against this defendant and that this defendant have and recover its costs incurred herein.

ROGER B. SMITH

EMIL STECK, JR.

ROBERT H. CANAN

MARK E. TRUE

By Mark E. True

Attorneys for Defendant Lockheed Aircraft
Corporation. [10]

EXHIBIT "A"
SCHEDULE OF AMOUNTS WITHHELD

Posting	Invoice	Invoice	Lockheed Liability	
<u>Date</u>	<u>Date</u>	<u>Number</u>	<u>Number</u>	<u>Amount</u>
10-11-44	8- 4-44	3824	408-15315	\$ 1,137.18
10-23-44	10-13-44	4036	410-24983	277.52
10-30-44	9-19-44	3979	409-35752	1,140.00
11- 9-44	10-16-44	4042	410-28715	1,070.40
11-25-44	11-30-44	2643	410-14837	2,472.00
11-28-44	11-20-44	4166	412- 3180	1,422.15
12- 4-44	10-10-44	4026	410-24895	660.00
1- 6-45	12-19-44	4274	412-35158	284.00
1- 9-45	12-19-44	4286	412-35159	253.25
1-12-45	12- 4-44	4200	412-15210	277.52
1-12-45	12-26-44	4312	412-39802	2,542.20
3-16-45	3-12-45	4685	503-25909	924.99
3-17-45	3-14-45	4686	503-27736	808.00
3-17-45	3-14-45	4687	503-27737	975.73
3-17-45	3-14-45	4688	503-27738	997.24
3-27-45	3-21-45	4753	503-40903	1,254.60
4-10-45	4- 5-45	4866	504-14751	819.92
8-31-45	8-22-45	CANCL	509- 4388	219.79
11- 2-45	10-15-45	CANCL	511- 2992	20.05
6- 6-46	5-31-46	5946	606- 7086	83.76
7- 8-46	7- 2-46	LAC D/M 36531	607- 2808	83.76

Total

\$17,556.54

[11]

[Verified.]

Receipt of copy of Answer acknowledged this 30 day of July, 1946. James M. Carter, United States Attorney, Ronald Walker and Robert E. Wright, Assistant United States Attorneys, Attorneys for Plaintiff. By James M. Carter, U. S. Atty. By Gertrude M. Johnson.

[Endorsed]: Filed Jul. 30, 1946. [12]

[Title of District Court and Cause]

ANSWER OF SAMPSON MOTORS, INC.,
A CORPORATION

Comes now the defendant, Sampson Motors, Inc., a corporation, and in answer to the complaint in the above entitled action admits, denies and alleges as follows:

I.

Answering Count One, Paragraph I, admits that this defendant is a corporation duly organized and existing under the laws of the State of California with its principal place of business in the County of Los Angeles, State of California.

II.

Answering Count One, Paragraph II, admits that jurisdiction of this action is granted to the above entitled court as in said paragraph alleged.

III.

Answering Count One, Paragraph III, admits that on or [13] about the 3rd day of August, 1944, it received a purported notice, a true copy of which is set forth and attached as Exhibit "A" to plaintiff's complaint. Denies each and every other allegation in said Paragraph III contained and specifically denies that proceedings were initiated or conducted in accordance with the Renegotiation Act; denies that there was a determination in accordance with law or in accordance with said Act, and denies that any profits realized by this defendant

during its fiscal year ended November 30, 1942, were excessive in the sum of \$60,000.00 or in any sum whatsoever under the provisions of said Act or otherwise; denies that the representatives of the Secretary of War or the Under-Secretary of War acquired any jurisdiction over this defendant under the provisions of the Renegotiation Act.

IV.

Answering Count One, Paragraph IV, admits that defendant is entitled to credit for taxes paid as therein alleged, but in this connection denies that any excess profits in any amount were realized by this defendant or properly determined under the Renegotiation Act.

V.

Answering Count One, Paragraph V, admits that this defendant has not petitioned the Tax Court of the United States for redetermination of any excessive profits claimed to have been received by it under the Renegotiation Act, but denies that the period for filing such petition has expired by reason of the lack of jurisdiction over this defendant as hereinbefore alleged.

VI.

Answering Count One, Paragraph VI, admits that Lockheed Aircraft Corporation has withheld from payment to this defendant the sum of \$17,556.64 which is due and payable to this defendant and in this connection alleges that said sum is now due and payable to this defendant and is the property of this defendant. [14] De-

defendant is without sufficient information or belief to answer the remaining allegations of said Paragraph VI, and basing its denial upon such lack of information or belief denies each and every other allegation in said paragraph contained.

VII.

Answering Count Two, Paragraph VII, defendant re-alleges its answers hereinabove set forth to Paragraphs I, II, III, IV, V and VI of Count One.

VIII.

Answering Count Two, Paragraph VIII, defendant is without sufficient information or belief to answer the allegations therein contained, and basing its denial upon such lack of information or belief, denies each and every allegation in said paragraph contained.

For a further separate and second defense to plaintiff's complaint, defendant alleges:

I.

That all proceedings and acts purported to have been taken by plaintiff, its agents or representatives in the re-negotiation of this defendant for the fiscal year ended November 30, 1942, were without jurisdiction; in excess of the jurisdiction allowed by law; and in violation of the Constitution of the United States and particularly Article V of the Amendments to the Constitution in depriving defendant of its property without due process of law.

Wherefore, defendant prays that plaintiff take nothing by its action; that it be adjudged that the sum of \$17,-

556.64 held by Lockheed Aircraft Corporation is the property of this defendant; and for such other and further or different relief as the court deems equitable and just in the premises.

ROBT. E. ROSSKOPF,
Attorney for Defendant Sampson Motors, Inc., a corporation. [15]

[Verified.]

Receipt of copy of the within Answer acknowledged this 11th day of October, 1946. James M. Carter, United States Attorney; Ronald Walker, Assisant United States Attorney; Robert E. Wright, Assistant United States Attorney; by Robert E. Wright, Attorneys for Plaintiff.

[Endorsed]: Lodged Oct. 11, 1946. Filed Oct. 28, 1946. [16]

[Title of District Court and Cause]

STATEMENT OF ISSUES AND OFFER OF
PROOF

Action is by United States of America against Lockheed and Sampson to recover funds withheld by Lockheed from payment to Sampson Motors, Inc. on its subcontracts, pursuant to order by the Secretary of War, based on a unilateral determination of excess profits for the fiscal year ended November 30, 1942.

Renegotiation was started about November 15, 1943 by Army Air Forces, Western Procurement District. Books and records of Sampson Motors were made available to Air Force auditors. Prior to any hearing Air Force

officer verbally advised Sampson that he considered excess profits for said fiscal year, prior to deduction for taxes, to be \$60,000.00. Following this verbal notification on May 24, 1944 the Air Forces advised Sampson by registered mail that [17] it desired to avail Sampson,

“of the privilege of presenting to them any factors pertinent to the renegotiation of your fiscal year ended 30 November 1942, inasmuch as the settlement proposed to you has not been accepted by you.”

“The District Board has reserved the afternoon of Monday, 29 May 1944, to meet with you at District Headquarters, 3636 Beverly Boulevard, Los Angeles, California.”

The president of Sampson Motors, with his counsel, was present at said time and place but was refused the privilege of introducing any evidence to show price reduction and comparative prices; efficiency in reducing costs; economy in the use of raw materials; efficiency in the use of facilities in the conservation of manpower; character and extent of subcontracting; quality of production; rate of delivery and turnover; inventive and developmental contribution with respect to important war products. At said meeting the Army Air Force officers advised the Sampson representatives that it had secured all the information it desired for determining said excess profits and did not wish to receive any evidence from the contractor, but insisted that the contractor execute an agreement agreeing to a determination of excess profits in the sum of \$60,000.00, failing which the matter would be recommended to the Secretary of War for fixing of said amount. The contractor declined to execute such agreement but

urged the right to introduce evidence concerning the figures above mentioned, which evidence was refused.

Thereafter on or about June 19, 1944 Sampson received a wire from the Chief, Renegotiation Branch of the War Department, Office of the Secretary, as follows:

“Renegotiation impasse your company with Army Air Forces referred to this board. Under- [18] stand there is no material disagreement as to reported facts and figures and inability reach agreement due solely to amount of proposed refund. Careful review and consideration reports covering case indicate settlement fair and equitable. Should you consider further hearing desirable with board representatives in Washington meeting can be arranged for ten A.M., 29 June 1944, Room 3D 573, The Pentagon. In event this date inconvenient please advise by telephone or telegraph your choice not later than ten days thereafter. If meeting not deemed necessary no alternative but to submit case to under secretary of war for determination. Please advise by 26 June SPRAR.”

At that time all transportation was on a strict priority basis making it virtually impossible to secure private transportation from Los Angeles to Washington, D. C. The urgency of the war program and the necessity for products being manufactured by the contractor was also such that absence from the business of Mr. Brett, the only person familiar with the matters involved in renegotiation, would have seriously impaired production of vital war materials. The contractor replied to the above wire on or about June 20, 1944 as follows:

"There is no impasse. No determination or basis of claim for refund or settlement ever been presented. Local Board refused to allow us to present facts under Sec. 403 A (4) (A) so it is impossible for you to have all facts.

"Attendance in Washington is unreasonable as it would stop our entire production of essential Aircraft Parts that I have agreed to manufacture." [19]

The contractor thereafter received a letter bearing date 29 June 1944 as follows:

"In accordance with our telegram to you of 19 June 1944, inasmuch as it has not been possible to work out an agreement as to the requested refund of \$60,000 excessive profits for the year ended 30 November 1942, we are recommending that this case be submitted to the Under Secretary of War for his consideration."

Thereafter the contractor received letter bearing date July 31, 1944 from the Under Secretary of War enclosing a unilateral determination of excess profits to be \$60,000.00. The text of said letter was as follows:

"I have reviewed the data furnished by your company and the proceedings in connection with your 1942 renegotiation with the War Department Price Adjustment Board and have reached the conclusion that the proposal heretofore made to your company by the War Department Price Adjustment Board should be affirmed. I have therefore made a unilateral determination that \$60,000 of the prices and profits realized by Sampson Motors, Inc., during its fiscal

year ended 30 November 1942, under its contracts and subcontracts subject to renegotiation pursuant to the provisions of Section 403, are excessive. An executed original of such unilateral determination is inclosed herewith."

Thereafter the contractor received a letter bearing date 16 September 1944 from the office of the Under Secretary, War Department, advising that the Internal Revenue Agent at Los Angeles had computed the tax credit and that the contractor was entitled to a [20] tax credit against said excess profits in the sum of \$42,823.67 and requesting payment by transmittal of the difference of \$17,176.33.

The contractor declined to transmit such difference, following which the Under Secretary of War directed Lockheed Aircraft Corporation to withhold payment to the contractor. The withholding directions to Lockheed were under date of October 12, 1944 instructing it to withhold \$9,000.00; on January 8, 1945 changing the amount to \$19,000.00; and on May 9, 1945 changing said amount to read \$17,543.08. Pursuant to these directions Lockheed withheld payment to the contractor of the various invoices and purchase orders in the total sum of \$17,556.54, which said amount it still holds.

Sampson had no prime contracts direct with the government but all of its war business was under purchase orders from prime and subcontractors. Some of said purchase orders contained the provision that "seller accepts this order subject, if applicable, to renegotiation pursuant to the provisions of Section 403, Sixth, Supplemental National Defense Appropriation Act of 1942."

The Renegotiation Act of 1942, Section (c) (1), provided that:

“Whenever, in the opinion of the Secretary of a Department, the profits realized or likely to be realized from any contract with such department, or from any subcontract thereunder whether or not made by the contractor, may be excessive, the Secretary is authorized and directed to require the contractor or subcontractor to renegotiate the contract price.”

It further provided by Section (c) (2) that the Secretary is authorized and directed to eliminate any excessive profits by [21] withholding, from amounts otherwise due to the contractor or subcontractor, any amount of such excessive profits. Said section also provided that the Secretary may bring actions in appropriate courts of the United States to recover any amount of such excessive profits. The 1942 Act contained no provision for appeal or review, and no provision against appeal or review. Under the Act, as worded, it would appear that the sole remedy for recovery of such excessive profits would be a court action, in which action the court would review the action of the Secretary and determine whether or not the Secretary's determination was fair and reasonable.

The 1943 amendments to the Act added Section (e) and provided that any contractor or subcontractor aggrieved by a determination of the Secretary made prior to the enactment of the 1943 Act with respect to a fiscal year ending before July 1, 1943,

“May, within ninety days * * * after the date of the enactment of the Revenue Act of 1943, file a petition with the tax court of the United States for a renegotiation thereof.”

Said amendment further provided that,
“upon such filing”

the court would have the same jurisdiction and the proceedings would be subject to the same provisions as those applicable to the 1943 Act.

Section 5 of the 1943 Act provided that the amendments of Section (e) should be effective as of April 28, 1942.

It is the contractor's contention here that under the Act as it existed in 1942 any action by the Secretary in determining excessive profits was subject to review in this court. The provisions in the 1943 amendment extending a permissive appeal to the tax court on a 1942 renegotiation was by its terms permissive only, and unless the contractor chose to take such appeal he was not bound [22] by any action of the tax court and his rights were not prejudiced by any failure to take such appeal. By the terms of the 1943 amendment the tax court only obtained jurisdiction of the matter if the contractor chose to appeal to such court. The statute did not provide that if the contractor did not take such appeal he would be precluded from a court determination as contemplated by the 1942 statute.

It is also the contractor's position that it was denied due process as guaranteed by the Constitution in that it was denied a hearing and the right to produce evidence before the Air Force Branch in Los Angeles, and that ten days' notice requiring its appearance in Washington was unreasonable in view of the circumstances and conditions which pertained at that time. The contractor, therefore, contends that he has not been renegotiated and that he is entitled in this proceeding to have the matter of excess profits for said fiscal year determined.

The contractor hereby offers to prove all of the facts herein set forth.

Contractor further offers to prove that the amount of \$60,000 as a determination of excess profits for the fiscal year ended 1942 is excessive and unreasonable. Contractor offers to prove that by its operations the government received substantial price reductions and that the prices of Sampson Motors, Inc. were substantially below the prices of other contractors and subcontractors for like products in this area; that the contractor had a very high degree of efficiency in reducing the costs of its products to the government; that the contractor was more economical in the use of raw materials than other contractors in the area; that in the use of facilities and conservation of manpower the efficiency of contractor was far above the average of any other contractor in this area; offers to show the character and extent of subcontracting used by it; that the quality of contractor's production was of the [23] very highest and superior to the average quality of other contractors in this area; that the contractor's rate of delivery and turnover was highly efficient; and that the contractor developed in its shop a number of manufacturing processes which substantially increased the efficiency and volume of its war production, which processes were made available to the United States agencies and to other contractors engaged in similar production.

Respectfully submitted,

ROBT. E. ROSSKOPF,

Attorney for Defendant Sampson Motors, Inc.

[SAMPSON'S EXHIBIT A.]

Excerpt from Report to Western District

Machine Tool Report

ASU-29A—Sampson Motors, Inc

EPS/nl

February 19, 1943

AAF Resident Representative

Vernon Sub-Area Office

2835 Santa Fe Avenue

Los Angeles, California

1. The attached subject ASU-29A forms were forwarded to this office in error. Information is furnished below which might be of benefit in determining the justification of this *prurchase*.

2. A visit to this shop and a study of its present equipment will show conclusively that it will be impossible to produce for Lockheed Aircraft Corporation fourteen gun chargers per day. Sampson Motors, Inc. are able to send to Lockheed Aircraft Corporation at this time from seven to nine gun chargers per day and will guarantee only seven, but expect to send Lockheed nine gun chargers per day. The slightest mixup in man power or the failure of a machine would cause a shutdown on the P-38 line.

3. This office feels that any assistance given to the Sampson Motors, Inc. would be of much benefit to the Lockheed Aircraft Corporation.

4. Outside Production informs this office that in a change of vendors from the Interstate People to the Samp-

son Motors, Inc., a saving was made in the making of these gun chargers of \$75,000 and the work of the Sampson Motors, Inc. is "A-1 Plus" with a record of not one rejection occurring in their total output.

5. Since Lockheed Aircraft Corporation needs fourteen gun chargers per day, a record of a few days' shipments will be of interest: 2/4/43—9, 2/5/43—7, 2/6/43—11, 2/8/43—7, 2/9/43—9, 2/10/43—10, 2/11/43—10.

a. This you will note is an average of nine per day.

6. If further information is desired by your Area in regard to purchase of this machinery, it is requested that you contact Mr. E. P; Smith of this office.

For the Army Air Forces Resident Representative:

PAUL R. SEABURY
Major, Air Corps
Asst. AAF Resident
Representative

3 Incls.—

Incl. 1— [25]

Case No. 5503-PH. U. S. A. vs. Lockheed. Deft. Exhibit A. Date Feb. 6, 1947. No. A identification. Date Feb. 6, 1947. No. A in evidence. Clerk, U. S. District Court, Sou. Dist. of Calif. J. M. Horn, Deputy Clerk. [26]

[SAMPSON'S EXHIBIT B.]

SAMPSON MOTORS, INC.

AUDIT REPORT

NOVEMBER 30, 1942

MARTIN J. MASTERS

Certified Public Accountant

Los Angeles [27]

Exhibit "A"

SAMPSON MOTORS, INC.

BALANCE SHEET

NOVEMBER 30, 1942

ASSETS

CURRENT ASSETS

Cash on hand and in bank	\$ 16,667.79
Accounts Receivable, trade	32,804.97
Inventories of raw materials and work in process	13,515.94
	<hr/>
Total Current Assets	\$ 62,988.70

FIXED ASSETS

Land	\$ 7,297.06
Buildings	24,267.17
Machinery and equipment	108,247.88
Office furniture and equip- ment	2,273.80
	<hr/>
Total	\$142,085.91

Less: Reserves for depreciation	32,405.50	
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Total Fixed Assets		109,680.41
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PREPAID EXPENSES, ETC.

Unexpired Insurance	\$ 1,361.53	
Deposits	47.20	1,408.73

TOTAL		\$174,077.84
-------	--	--------------

[28]

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

Long term indebtedness, payable within one year Trust

Deed Note	\$ 1,558.20	
Chattel Mortgage Note	8,749.92	\$ 10,308.12

Equipment, purchase contracts	3,245.28
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Notes Payable	3,000.00
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Accounts Payable, trade	5,059.93
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Due to Officers	1,847.61
-----------------	----------

Federal State and Local Taxes payable	2,915.33
---------------------------------------	----------

Federal Income and Excess Profits Tax, estimated	75,000.00
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Accrued Liabilities, payroll, Interest, etc.	991.43
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Total Current Liabilities	\$102,367.70
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LONG TERM INDEBTEDNESS

Trust Deed Note	\$ 8,491.57	
Chattel Mortgage Note	5,962.60	
	<hr/>	
Total	14,454.17	
Less: Amounts payable within one year included in current liabilities above	10,308.12	4,146.05
	<hr/>	

CAPITAL

Capital Stock issued (6950 Shares, par value \$1.00)	6,950.00	
Capital Surplus	54,519.60	
Earned Surplus	51,094.49	
	<hr/>	
Total	112,564.09	
Less: Treasury Stock (3545 shares)	45,000.00	67,564.09
	<hr/>	

174,077.84

[29]

Exhibit "B"

SAMPSON MOTORS, INC.

STATEMENT OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED NOVEMBER 30, 1942.

SALES, LESS RETURNS AND ALLOWANCES		\$283,351.11
COST OF GOODS SOLD		
Inventory at beginning of year	\$ 7,135.46	
Direct Labor	52,367.87	
Materials purchased	9,632.78	
Outside processing	31,584.91	
Manufacturing expense (Schedule 1)	63,308.91	
Total	164,029.93	
Less: Inventory at end of year	13,515.94	
Cost of Goods Sold		150,513.99
GROSS PROFIT ON SALES		132,837.12
ADMINISTRATIVE EX- PENSE (Schedule 1)		23,782.25
PROFIT FROM OPERATIONS		109,054.87
OTHER INCOME		
Miscellaneous, sale of scrap, etc.	2,331.60	
Discounts Earned	174.39	
Profit on Sale of Equipment	1,056.43	3,562.42
NET PROFIT BEFORE INCOME AND EXCESS PROFITS TAXES		\$112,617.29

SCHEDULE 1.

SAMPSON MOTORS, INC.

STATEMENT OF MANUFACTURING AND ADMINISTRATIVE FOR THE YEAR ENDED NOVEMBER 30, 1942.

MANUFACTURING EXPENSES

Manager's Salary (R. J. Brett)	\$ 17,544.03
Engineer's Salary	3,889.47
Other Labor	3,967.92
General Supplies and Repairs	11,895.00
Heat, Light and Power	1,182.09
Engineering Expense	321.97
Laundry	230.65
Depreciation	22,373.43
Compensation Insurance	582.15
Miscellaneous	1,322.20
	<hr/>
	\$ 63,308.91
	<hr/> <hr/>

ADMINISTRATIVE EXPENSES

Officer's Salary	4,818.90
Office Salaries	3,115.05
Stationery and Office Supplies	553.10
Auto and Delivery Expense	144.79
Travel and Entertainment	594.70
Telephone	592.33
Depreciation	423.95
Payroll Taxes	2,688.17
Other Taxes	5,839.03
Professional services	1,768.90
Insurance	595.08
Miscellaneous	798.73
Interest Paid	1,849.02
	<hr/>
	\$ 23,782.25
	<hr/> <hr/>

MARTIN J. MASTERS
Certified Public Accountant
117 West Ninth Street
Los Angeles
VAndike 5646

March 1, 1943.

Sampson Motors,
1950 W. 62nd Street,
Los Angeles, Calif.

Gentlemen:

We have made an examination of the books and records of Sampson Motors, Inc. for the year ended November 30, 1942 and as a result thereof submit the accompanying statements which set forth the financial position of the company at November 30, 1942 and the results of its operations for the year ended that date.

Capital and surplus at the close of the year amounted to \$67,564.09 after making provision for federal income and excess profits taxes in the estimated amount of \$75,000.00. Net profit from operations, before federal taxes, is shown in the amount of \$112,617.29.

In our opinion the accompanying balance sheet and related statement of profit and loss account set forth, fairly, the financial position of the company at November 30, 1942 and the results of its operations for the year then ended.

Yours very truly,

Martin J. Masters

Case No. 5503-PH. U. S. A. vs. Lockheed. Deft. Exhibit B. Date Feb. 6, 1947. No. B identification. Date Feb. 6, 1947. No. B in evidence. Clerk, U. S. District Court, Sou. Dist. of Calif. J. M. Horn, Deputy Clerk. [32]

[SAMPSON'S EXHIBIT C]

Case No. 55-8-211
2-16 vs. Sampson
 EXHIBIT C
 Date Feb 8-1947 No. C IDENTIFICATION
 Date Feb 8-1947 No. C IN EVIDENCE
 Clerk J. J. District Court, Sou. Dist. of Calif.
J. J. District Court, Sou. Dist. of Calif. Deputy Clerk

LOCKHEED AIRCRAFT CORPORATION

BURBANK, CALIFORNIA SERIAL 6198

OUTSIDE PRODUCTION-PURCHASE ORDER

PAGE PURCHASE ORDER NO. OF

8-20560 DATE

ITEM	QUANTITY	SCHEDULE DATES	MANUFACTURING DATES	ITEM	MODEL	CONTRACT	PREP. NO.
1 - 70		JUNE 30 1947	11-1-149	P38E		DEFENSE ORDER ARMY W-535	

CAMPBELL MOTORS INC.
 1950 W. 62ND STREET
 LOS ANGELES, CALIFORNIA

79902

SHIP TO	DELIVER TO	ACKNOWLEDGEMENT AND DUPLICATE INVOICES REQUIRED	PACKING LISTS MUST ACCOMPANY EACH CASE OR PARCEL SHOWN OUR ORDER NUMBER AND COMPLETE DESCRIPTION OF THE CONTENTS

QUANTITY	UNIT	ITEM	DESCRIPTION	(WORK ORDER NUMBER)	PRICE
			ENGINE AND ACCESSORY PER BLUEPRINT:		
77	ONLY	227153	3/16" DIA. (21-1912-71)		10-617
					10-664
					10-753
					40-810
			MATERIAL FURNISHED BY LOCKHEED.		
101-11	FT.	3051530	3/16" DIA. 4150 STL. BAR R		
70	FT.	3201130	3/16" DIA. 4150 STL. BAR R		
			SERIAL 54010		
			SERIAL 74011		
			REPAIR KIT FOR ENGINE AND ACCESSORY PER BLUEPRINT:		
			REPAIR KIT NO. 1-1001 SERIAL 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000		

FOR RESALE

The work on this order is subject to Lockheed Specifications governing Materials, Parts, and Processes. Receipt of a copy of the applicable portions of such specifications is hereby acknowledged. The requirements set forth by such specifications supersede the general information furnished on Lockheed blueprints unless a specific deviation is requested by Lockheed in which event such requested deviation shall control. Additional copies of the applicable specifications will be supplied upon request to the Outside Production Department.

TOOLS FURNISHED BY LOCKHEED:

PREVIOUSLY DELIVERED

MATERIALS FURNISHED BY LOCKHEED:

PREVIOUSLY DELIVERED

CC: CONTACT
REF. 88

The instructions, agreements and conditions on the reverse side are also made part of this order to which the Subcontractor agrees by acceptance of this order.

SUBCONTRACTOR

J E BLAINE, Outside Production Manager

By

Harold W. Bulmer

INSTRUCTIONS, AGREEMENTS AND CONDITIONS:

(For the purpose of this contract Lockheed Aircraft Corporation as the Contractor will be referred to herein as "Lockheed" and the Vendor or Supplier will be referred to herein as "Subcontractor.")

1. Acknowledgment Necessary. This order shall not be effective nor shall Lockheed be obliged to pay any monies called for hereunder unless and until Subcontractor shall have supplied Lockheed with the written acknowledgment and acceptance hereof. No conditions laid down by Subcontractor in accepting or acknowledging this order shall be binding upon Lockheed if in conflict with any instruction, agreement and/or condition herein stated unless expressly accepted by Lockheed in writing. No revisions to this order shall be valid unless in writing and signed by an authorized representative of the Lockheed Outside Production Department.
2. Boxing Charges. No charges shall be made for boxing, wrapping or cartage unless noted on this order.
3. Inspection. All materials or articles ordered will be subject to final inspection and approval at destination by Lockheed or its duly authorized representative. Where a specification number is noted for supplies ordered, Subcontractor must supply in triplicate a notarized report confirming manufacture of materials to the specification and such report must accompany materials upon delivery. This report must bear Lockheed's Purchase Order number and description of the materials shipped. Subcontractor shall furnish Ameri-

can materials in accordance with U. S. War Department Circular of March 13, 1933. Lockheed reserves the right to reject and hold, subject to Subcontractor's disposal, all materials not conforming to specifications. All merchandise fabricated by Subcontractor which may be rejected by Lockheed due to Subcontractor's fault or cause of failure to meet specifications shall be replaced by Subcontractor at its cost as to material and time. Subcontractor will be charged costs of materials or tools damaged while in its possession. Any merchandise which may be rejected because of Lockheed's fault or change in engineering or design occasioned by Lockheed shall be reworked at Lockheed's expense.

4. Shipping Instructions. Each container must be marked to identify contents without opening. Forward notice of shipment the same day shipments are made. All Bills of Lading (or Express Waybills) must show Lockheed's Purchase Order number and a copy must be sent to Lockheed's Traffic Department with a copy of packing list via airmail on day of shipment. Express shipments f.o.b. Subcontractor's plant to be released at a valuation not to exceed \$50.00 if under 100 lbs.; if over 100 lbs., not to exceed 0.50 per lb. Show Lockheed's Purchase Order number on all invoices, packing slips and correspondence relative to this order.
5. Patent Protection. Subcontractor guarantees that the sale or use of any or all articles or material delivered hereunder will not infringe any United States Patent; that he will at his own expense defend any action, suit or claim in which an infringement of Patent

Rights is alleged with respect to the sale or use of said articles or materials, and that he will save the Lockheed Aircraft Corporation and/or its customers from any loss, damage or liability which may be incurred on account of infringement or alleged infringement of Patent Rights with respect to the articles or material delivered unless said articles or materials are produced in accordance with Lockheed designs or specifications.

6. Confidential. The Subcontractor shall not disclose any details connected with the order to any third party except as herein specified without first obtaining the written consent of the Lockheed Aircraft Corporation.
7. Tools And Materials. The Subcontractor is to furnish all standard tools, taps, dies, cutters, gauges, and fixtures. Lockheed will furnish special tools for the Subcontractor's convenience where these are available, but it is expressly understood that in so doing Lockheed makes no guarantee whatsoever as to the accuracy of the tools furnished. By the acceptance of this order, the Subcontractor agrees to furnish the items ordered in accordance with drawings and applicable specifications. No designs, tools, patterns, or drawings supplied by Lockheed to the Subcontractor for use in manufacture of articles contracted for herein shall be used in the production, manufacture or design of any other articles for any other purchaser nor for the manufacture or production of

larger quantities than those specified except with the express consent in writing of the Lockheed Aircraft corporation. At the termination of this contract they, together with all excess materials, shall be disposed of as Lockheed shall direct. All such designs, tools, patterns, drawings and materials supplied by Lockheed shall be segregated by the Subcontractor in the Subcontractor's plant and, wherever possible, clearly marked so as to be easily identified as Lockheed's property. Where materials are furnished by Lockheed, title to such material in all stages of construction shall be and remain in the Lockheed Aircraft Corporation.

8. Insurance, Risk Of Loss And Status Of Seller. All materials, tools, designs, patterns and drawings belonging to Lockheed and located in the State of California shall be at Subcontractor's risk from loss or damage from all hazards, except that Lockheed, for Lockheed's sole benefit shall insure such materials, etc. against loss or damage resulting from fire, lightening, cyclone, tornado, windstorm and hail, explosion, earthquake, aircraft or vehicles, smoke, sprinkler leakage, flood, strike, riot and civil commotion, and vandalism and malicious mischief, but such insuring shall not relieve Subcontractor from liability for Subcontractor's negligent acts or omissions. All such materials, etc., while in Subcontractor's possession outside of the State of California shall be at Subcontractor's sole risk

from all hazards. In the event that Subcontractor is required to enter premises owned, leased, occupied by or under the control of Lockheed during the performance of services ordered hereunder or during delivery or installation of the materials or articles herein contemplated or during the performance of services otherwise required to be furnished by Subcontractor, Subcontractor agrees that Subcontractor will, before coming upon such premises, obtain and keep insurance coverage indemnifying and holding harmless Lockheed, its officers and employees, from any liability or loss by reason of property damage or personal injury of whatsoever nature or kind occurring during or as a result of the performance of such services and/or delivery and/or installation. Such insurance shall be in standard form for property damage and public liability and in reasonable limits. Subcontractor agrees to furnish Lockheed with certificates or other satisfactory evidence of such insurance coverage prior to such entry. Failure of Lockheed to demand such certificates or other evidence shall not constitute a waiver of the foregoing agreements. Subcontractor agrees to carry proper workmen's compensation for Subcontractor's own employees. Subcontractor understands and agrees that in performing this order Subcontractor is and for all purposes will be deemed to be an independent contractor and that neither Subcontractor nor any employee of Subcontractor shall be or be deemed to be an employee of Lockheed.

9. Compliance With Governmental Regulations. Subcontractor warrants and certifies that all goods herein specified have been and will be produced in compliance with applicable provisions and stipulations of the Walsh-Healy Act (Public Act No. 846, 74th Congress), the U. S. Fair Labor Standards Act (Public Act No. 718, 75th Congress), the Espionage Act (Public Act No. 443, 76th Congress), Section 1 of the Act of January 12, 1938 (52 Stat. 3), Executive Order No. 8381 and the Act of June 28, 1940 (Bull No. 15, W. D. 1940) and that only citizens of the United States have been and will be employed in the manufacture or furnishing of the material or equipment herein specified. Subcontractor, in performing this order, shall not discriminate against any worker because of race, creed, color or national origin.
10. United States Air Corps And Navy Department Specifications. All materials or equipment for aircraft construction listed herein to which the United States Air Corps and United States Navy Department specifications are applicable must comply with such specifications current as of the date of this order. Should such specifications be revised prior to shipment, Subcontractor, by first obtaining written consent of Lockheed, may furnish such material or equipment in accordance with revised specifications.
11. No Assignment. Subcontractor may neither assign this contract nor any monies to become due under it without first obtaining the written consent of the Lockheed Aircraft Corporation.

12. Cancellation. Lockheed reserves the right to cancel this order if not filled in accordance with delivery schedule and specifications. In the event of any suspension of payment or the institution of any proceedings by or against either party, voluntary or involuntary, in bankruptcy or insolvency, or under any provisions of the United States Bankruptcy Act, or for the appointment of a receiver or trustee or an assignee for the benefit of creditors, of either party, or in the event of a breach of any of the terms hereof, including warranties of subcontractor, the other party shall be entitled to cancel this contract forthwith.
13. General Warranties. Subcontractor warrants the articles herein specified to be free from defects in labor, materials or fabrication. All warranties shall be construed as conditions as well as warranties, and the representations and conditions herein contained shall not be deemed to be exclusive.
14. Construction. This order is designed for use in the purchase by Lockheed of services or property or both. Any portion not applicable to the purchase of the thing ordered shall be deemed mere surplusage, but Subcontractor agrees that Lockheed's determination of what is and what is not applicable shall be final and binding. Each instruction shall be construed as also being an agreement and a condition, and each agreement shall be construed as also being an instruction and a condition and each condition shall be construed as also being an instruction and an agreement.

[LOCKHEED'S EXHIBIT A]

SAMPSON MOTORS, INC.

Thread Grinding - Taps and Gauges - Machining

Engineering - Development Work - Designing

1950 West Sixty-Second Street - Telephone PL. 2-2101

Los Angeles, California

February 5, 1945

Lockheed Aircraft Corp.

Burbank, California

Attn: Frank L. Frain, Dept. Manager

Financial Operations Division

Gentlemen:

We ask that you do not release our money held by you under Directive from Under Secretary of War. We have done everything possible to produce good work at a fair price. If money due us cannot be paid to us, we will be unable to continue in business.

Our accounts must be collected in order to pay our labor and meet our obligations, and if our account is not paid we shall advise our Attorney to bring suit or take such action as may be necessary to protect our interests.

It is regrettable that it will be impossible for us to do any further work unless our bills are paid in accordance with our original agreement.

Very truly yours,

SAMPSON MOTORS, INC.

Riley J. Brett

Riley J. Brett

President [35]

Case No. 5503-PH. U. S. A. vs. Lockheed. Lockheed Exhibit A. Date Feb. 6, 1947. No. A identification. Date Feb. 6, 1947. No. A in evidence. Clerk, U. S. District Court, Sou. Dist. of Calif. J. M. Horn, Deputy Clerk. [36]

[Title of District Court and Cause]

FINDINGS OF FACT AND CONCLUSIONS
OF LAW

This cause came on for hearing before the Court, without a jury, on February 6, 1947, and the Court having considered the pleadings, the stipulations made and entered into in open Court, and the evidence adduced by the parties respectively upon the hearing of this cause, and having heard the arguments of counsel and now being fully advised in the premises, now finds the facts and states the Court's conclusions of law, as follows:

FINDINGS OF FACT

1. That at all times herein mentioned, defendant Sampson Motors Inc., was and is a corporation, duly organized and doing business under and by virtue of the laws of the State of California and having its principal office and place of business in the County of Los Angeles, California; Lockheed Aircraft Corporation was and is a corporation duly organized and doing business under and by virtue of the laws of the State of California and having its principal office and place of business in the City of Los Angeles, California.

2. After due notice to the defendant, Sampson Motors Inc., proceedings for the renegotiation of said defendant's contracts and sub-contractors were [37] had and conducted by representatives of the Secretary of War. Thereafter, and on the 31st day of July, 1944, the Under-Secretary of War, acting under and by virtue of the Renegotiation Act and pursuant to authority delegated to him, duly determined in compliance with law, that of the profits realized by defendant during the fiscal year ended

November 30, 1942, under its contracts and subcontracts subject to renegotiation, Sixty Thousand Dollars (\$60,000) were excessive profits. Demand was made upon the defendant for payment to the United States of such excessive profits, less the appropriate tax credit, if any.

3. The tax credit to which defendant, Sampson Motors Inc., is entitled under Section 3806 of the Internal Revenue Code, is in the amount of Forty Two Thousand Eight Hundred Twenty Three and 67/100 Dollars (\$42,823.67).

4. Defendant Sampson Motors Inc. has not petitioned the tax court of the United States for a redetermination of the amount of excessive profits received by it, as provided by Section 403 (e) of the Renegotiation Act and the period for filing such petition has expired.

5. Thereafter, the Under-Secretary of War acting under and by virtue of the provisions of the Renegotiation Act and pursuant to authority delegated to him, issued withholding orders directed to the defendant, Lockheed Aircraft Corporation, requiring that it withhold for the account of the United States, any and all amounts not in excess of the amounts specified in said withholding orders that were otherwise due from said defendant, Lockheed Aircraft Corporation, to the defendant Sampson Motors, Inc.; pursuant to the requirement of said withholding orders, defendant Lockheed Aircraft Corp. has withheld from Sampson Motors Inc. for the account of the United States, the sum of Seventeen Thousand five hundred forty three and 08/100 Dollars (\$17,543.08), which amount said Lockheed Aircraft Corp. still retains.

6. That the amount of the balance due the United States from Sampson Motors Inc., including interest at

the rate of six percent per annum from July 31, 1944 to November 2, 1945, after allowing said defendant credit for the amounts withheld as aforesaid by Lockheed Aircraft Corp. is the sum of Thirty and 20/100 Dollars (\$30.20); and that the amount due, owing and unpaid to the [38] United States from the defendant, Sampson Motors, Inc., including interest at the rate of six percent per annum from November 2, 1945, to date, is the sum of Thirty Two and 61/100 Dollars (\$32.61).

7. That the amount now due, owing and unpaid to the United States from the defendant, Lockheed Aircraft Corporation, is the sum of Seventeen Thousand Five Hundred Forty Three and 08/100 Dollars (\$17,543.08).

CONCLUSIONS OF LAW

1. That the Court has jurisdiction of the parties to and of the subject matter of this action.

2. That plaintiff is entitled to recover from the defendant, Sampson Motors Inc., the sum of Thirty Two and 61/100 Dollars (\$32.61).

3. That plaintiff is entitled to recover from the defendant, Lockheed Aircraft Corporation, a corporation, the sum of Seventeen Thousand Five Hundred Forty Three and 08/100 Dollars (\$17,543.08).

It Is Ordered, that judgment be entered in conformity herewith.

Dated: 3/14/47.

PEIRSON M. HALL,

Judge—United States District Court. [39]

[Affidavit of Service by Mail.]

[Endorsed]: Lodged Feb. 24, 1947. Filed March 14, 1947. [40]

In the District Court of the United States
in and for the Southern District of California

Central Division

No. 5503-PH Civil

UNITED STATES OF AMERICA,

Plaintiff,

vs.

SAMPSON MOTORS, INC., a Corporation, and LOCK-
HEED AIRCRAFT CORPORATION, a Corpora-
tion,

Defendants.

JUDGMENT

This cause came on regularly for trial before the Court, without a jury, on February 6, 1947, and in conformity with the Court's Findings of Fact and Conclusions of Law, it is

Ordered and Adjudged, that plaintiff, United States of America, do have and recover from the defendant, Sampson Motors Inc., a Corporation, the sum of Thirty Two and 61/100 Dollars (\$32.61); and it is further

Ordered that plaintiff, United States of America do have and recover from the defendant, Lockheed Aircraft Corporation, a Corporation, the sum of Seventeen Thousand Five Hundred Forty Three and 08/100 Dollars (\$17,543.08).

Dated: 3/14/47

PEIRSON M. HALL

Judge, United States District Court

Judgment entered Mar. 14, 1947. Docketed Mar. 14, 1947. C. O. Book 42, page 145. Edmund L. Smith, Clerk. By J. M. Horn, Deputy. [41]

[Affidavit of Service by Mail.]

[Endorsed]: Lodged Feb. 24, 1947. Filed Mar. 14, 1947. [42]

[Title of District Court and Cause.]

NOTICE OF APPEAL

To the District Court of the United States, in and for
the Southern District of California, Central Division:

You Are Hereby Notified that defendant Sampson Motors, Inc. a corporation, hereby appeals to the United States Circuit Court of Appeals for the Ninth Circuit from that certain judgment of the above entitled Court in the above entitled action, and from each and every part thereof, entered in the above entitled cause in Civil Order Book number 42 at page 145, on or about the 14th day of March, 1947.

Dated: April 25th, 1947.

ROBT. E. ROSSKOPF,
Attorney for Appellant

[Endorsed]: Filed & mld copies to ptf U. S. A. & mld copy to party deft Lockheed A/C Apr. 25, 1947. [43]

[Title of District Court and Cause.]

CERTIFICATE OF CLERK

I, Edmund L. Smith, Clerk of the District Court of the United States for the Southern District of California, do hereby certify that the foregoing pages numbered from 1 to 46 inclusive contain full, true and correct copies of Complaint for Money Judgments; Answer of Defendant Lockheed Aircraft Corporation; Answer of Sampson Motors, Inc.; Statement of Issues and Offer of Proof; Sampson Exhibits A, B and C; Lockheed Exhibit A; Findings of Fact and Conclusions of Law; Judgment; Notice of Appeal; and Designation of Record on Appeal which, together with copy of Reporter's Transcript of Proceedings on February 6, 1947, transmitted herewith, constitute the record on appeal to the United States Circuit Court of Appeals for the Ninth Circuit.

I further certify that my fees for preparing, comparing, correcting and certifying the foregoing record amount to \$12.25 which sum has been paid to me by appellant.

Witness my hand and the seal of said District Court this 2 day of June, A. D. 1947.

EDMUND L. SMITH

(Seal)

Clerk

By Theodore Hocke

Chief Deputy Clerk

In the District Court of the United States
For the Southern District of California
Central Division

Honorable Peirson M. Hall, Judge Presiding

No. 5503-PH Civil

UNITED STATES OF AMERICA,

Plaintiff,

vs.

LOCKHEED AIRCRAFT CORP.,

a corporation, et al.,

Defendants.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Los Angeles, California

Thursday, February 6, 1947.

Appearances:

For Plaintiff: James M. Carter, U. S. Attorney; by
Robert E. Wright, Esq., Assistant U. S. Attorney.

For Defendant Lockheed: Mark E. True, Esq.

For Defendant Sampson Motors, Inc.: Robert E.
Roskopf, Esq.

The Court: U.S.A. versus Lockheed Aircraft Corpora-
tion. Who is representing Lockheed?

The Clerk: Mr. True, but he is not here yet. He said
he does not have very much interest.

The Court: What is the name?

The Clerk: Mark E. True. He is over in the Superior
Court for a few minutes. He will be here shortly.

The Court: All right. Mr. Wright, did you reach a stipulation here?

Mr. Wright: Yes, Your Honor. It is stipulated that the document attached to the complaint marked Exhibit A may be received in evidence and considered as the original order of determination of excessive profits made by Robert P. Patterson, the Under-Secretary of War on July 31, 1944.

It is further stipulated that demand was made upon the defendant Sampson Motors, Inc., a corporation, by the United States for payment to the United States of the amount of said excessive profits fixed by said order, less the proper tax credit, if any.

It is further stipulated—

The Court: Now, wait a moment. Demand was made upon Sampson Motors, Inc. for how much? Have you arrived at those figures?

Mr. Wright: The amount of excessive profits found in the order which is \$60,000, Your Honor.

The Court: Now, what is the demand for money? Have you stipulated on the amount of money involved in this case?

Mr. Wright: I will get to that in a moment, Your Honor, [2] if I may proceed.

The Court: All right.

Mr. Wright: It is further stipulated that the amount of the tax credit to which the defendant Sampson Motors, Inc. is entitled under Section 3806 of the Internal Revenue Code is in the amount of \$42,823.67, which credit is computed upon the assumption that the profits determined to be excessive were returned as income by said defendant

for tax purposes and that the proper taxes have been or will be paid on such profits.

It is further stipulated that defendant Sampson Motors, Inc., a corporation, has not petitioned The Tax Court of the United States for a redetermination of the amount of excessive profits received by it as provided by Section 403(e) of the Renegotiation Act, and that the period for filing of such petition has expired.

It is further stipulated that on October 6, 1944 the Under-Secretary of War by a written order sent by mail to the defendant Lockheed Aircraft Corporation directed said defendant Lockheed Aircraft Corporation to withhold for the account of the United States any and all amounts not in excess of \$9000 which were otherwise due or should become due from said defendant Lockheed Aircraft Corporation to defendant Sampson Motors, Inc.

Thereafter, on January 8, 1945 the Under-Secretary of War by a written order sent by mail to the defendant Lockheed Aircraft Corporation modified his aforesaid order dated October 6, 1944 by directing said defendant Lockheed [3] Aircraft Corporation to withhold for the account of the United States any and all amounts not in excess of \$19,000, instead of \$9,000, as originally specified, which were otherwise due or should become due from said defendant Lockheed Aircraft Corporation to defendant Sampson Motors, Inc.

The Court: That is \$19,000 instead of \$17,543.08?

Mr. Wright: No, Your Honor. It is \$19,000 instead of \$9,000 required to be withheld by the order of October 6, 1944.

The Court: Now, wait a minute. In the answer of Lockheed Aircraft Corporation they say on January 8,

1945 all amounts not in excess of \$19,000. Thereafter, it was further modified, is that right?

Mr. Wright: That is right, Your Honor.

The Court: Then in May it was again modified to \$17,543.08?

Mr. Wright: Yes. It is stipulated that thereafter on May 9, 1945 the Under-Secretary of War modified his aforesaid order dated January 8, 1945 by directing said defendant Lockheed Aircraft Corporation to withhold for the account of the United States any and all amounts not in excess of \$17,543.08 which were otherwise due or should become due from the Lockheed Aircraft Corporation to the defendant Sampson Motors, Inc.

It is stipulated the net amount of said excessive profits, less the tax credit aforesaid, is the sum of \$17,176.33.

The Court: I suppose it is also stipulated that [4] Exhibit A attached to Lockheed's answer "Schedule of Amounts Withheld" is correct as to the posting date, invoice date, invoice number, Lockheed liability number, and the amount?

Mr. Roskopf: The defendant Sampson will so stipulate.

The Court: I don't know that that is material, but I suppose it might become so.

Mr. Wright: We have reached an agreement all around with reference to that, if the Court please. That gets us to the ultimate fact with reference to the amounts which I will state and which Mr. True and Mr. Roskopf and I agreed to in our conference after we left the courtroom here the day before yesterday.

The Court: Do you stipulate that Exhibit A of Lockheed's answer is a true statement of the withholdings by Lockheed Aircraft Corporation?

Mr. Wright: Let me take a look at that for a moment. I think undoubtedly that is correct, Your Honor, but I want to look at it again to make sure.

Yes, it is so stipulated.

The Court: Very well.

Mr. Wright: Finally it is stipulated—

The Court: I see in the minutes vacation of the default.

Mr. Wright: That is correct.

The Court: All right.

Mr. Wright: Finally it is stipulated that after allowing to the defendant Sampson Motors, Inc. the amount or the [5] aggregate of the amounts withheld pursuant to the last order of the Under-Secretary of War, and charging Sampson Motors, Inc. interest at the rate of six per cent on the balances remaining from time to time due plaintiff, the amount of the balance in excess of that withhold pursuant to the order by Lockheed Aircraft Corporation is \$30.20. That gives allowance of interest at the rate of six per cent to November 2, 1945.

The Court: That is allowance of interest to whom? Who gets that interest?

Mr. Wright: The United States.

The Court: Very well.

Mr. Wright: To state it more directly, Your Honor, if the Court should decide here that the United States is entitled to judgment the amount of the judgment against Lockheed Aircraft Corporation will be \$17,543.08. The

amount of the judgment against Sampson Motors, Inc. would be \$30.20 with interest at the rate of six per cent per annum from November 2, 1945.

Mr. Rosskopf: There is a couple of dollars difference in what Lockheed Aircraft Corporation is withholding. They are withholding \$17,556 of it.

Mr. Wright: Yes. That is a matter of explanation and without incorporating it into the stipulation because it is immaterial.

The final order of the Under Secretary required Lockheed Aircraft Corporation to withhold \$17,543.08. In withholding that amount, when they got within a very close [6] range of it, there was another invoice on which they withheld payment. That invoice was for an amount of approximately \$15 in excess of the amount necessary to make up \$17,543.08. So that as a matter of fact Lockheed is holding really—

The Court: \$13.46 more than the withhold?

Mr. Wright: That is right. But of course, that hadn't any effect on this lawsuit as I see it. Is it so stipulated, Mr. Rosskopf?

Mr. Rosskopf: With one or two qualifications. Essentially I think it is stipulated. I am willing to state that the stipulation with reference to the making of the order by the Under-Secretary of War—the defendant will stipulate that that order was made and that the defendant received notice of that order in due course shortly after the order was made. We do not stipulate that the order was a proper order or stipulate in any way as to the effect of the validity of the order. We stipulate that the physical making and notice with reference to it occurred. Also with reference to the amount of the tax credit, we

stipulate that if the amount of excess profits claimed by the Secretary of War were greater than the tax credit as allowed would be greater; but in stipulating the proper amount of the tax credit we stipulate with that qualification without stipulating as to the validity of the order.

The Court: In the statement concerning the stipulation by Mr. Wright, item No. 6, he said it was stipulated [7] that the net amount of excess profit was \$17,176.33. Now, if you stipulate there was that amount of excess profit after allowing tax preferences and after allowing credit,—the point I am trying to get at is this: Do you stipulate that that is excessive profits, or is your stipulation made upon the proposition that if the original order is correct that would be the net amount?

Mr. Rosskopf: That is correct. We do not stipulate that that is excess profits or that any part of the amount of money herein involved is excess profits. We do stipulate that if the Court should determine that \$60,000 was excess profits the allowance of the tax credit would leave a net balance of \$17,176.33. In other words, we stipulate to the arithmetic, if I may put it that way, but we do not stipulate there is any amount due or that there was any excess profits.

Mr. Wright: The plaintiff rests.

Mr. Rosskopf: I have prepared here a document. I am sorry I did not have a chance to get it to Mr. Wright sooner. It is a statement of the issues and what amounts to virtually an offer of proof. I don't know whether Your Honor would prefer to read it or have me state it, but I think it pretty well covers the position of the defendant here. (The document was handed to the Court).

The Court: I have read down to line 19 of page 5. Have you got that far?

Mr. Wright: Not quite, Your Honor.

The Court: When you get there, let me know. [8]

Mr. Wright: I will let Your Honor know. Yes, I have reached that point.

The Court: That appears to be a statement of facts up to there.

Mr. Roskopf: Yes, Your Honor, it was so intended.

The Court: Is there any dispute about that or can it be stipulated or will the defendant be required to submit proof?

Mr. Wright: It is immaterial, Your Honor, in view of the stipulation that is made and in view of the facts that appear in the case—these facts are immaterial. They are immaterial for these reasons: The Renegotiation Act provides that an agreement shall be reached if possible as to the amount of excessive profits and if it is not possible to reach an agreement as is recited here in this statement of facts, a unilateral determination may be made by the Secretary. Then the Act provides that that is only a part or rather the first step in the administrative process. The fixing of the amount initially, either by an agreement or by a unilateral determination by the Secretary is the first step. The Act provides then that if the contractor or sub-contractor, as the case may be, is dissatisfied with the amount so found he may within ninety days file a petition in The Tax Court of the United States and that court under the law, under the decision of the Ninth Circuit and of the United States Supreme Court, has the power and duty and authority to cite all questions of law and of fact. The hearing before The Tax Court is a [9] *de novo* hearing and not a proceeding in review.

The Court: That is a recent decision?

Mr. Wright: Yes, Your Honor, a couple of days ago.

The Court: What is the name of that case?

Mr. Wright: That is Pownall versus United States, No. 11340.

The Court: You may continue with your statement.

Mr. Wright: The stipulation shows the fact to be that the defendant Sampson Motors, Inc. in this case did not file a petition before The Tax Court within the time.

The Court: It is admitted in their answer.

Mr. Wright: Yes, and it is admitted in their answer. Consequently, this Court has no jurisdiction to pass on the questions that are presented here by these facts, that is, these facts stated in the document that has been handed to Your Honor, the memorandum that counsel has prepared.

The Court: In defendant's answer, paragraph 5 of Count 1, it is admitted they have not petitioned for renegotiations by reason of the lack of jurisdiction over this defendant as hereinbefore alleged. I see. It denies that. I suppose that is developed in your memorandum here?

Mr. Rosskopf: Yes, Your Honor.

The Court: All right. You have raised a special defense here that you were denied due process.

Mr. Rosskopf: That is correct, Your Honor. We claim that we were denied due process. [10]

The Court: I think all of these facts would be material under that defense.

Mr. Wright: Your Honor, if you will notice page 3. the Pownall case.

The Court: Yes, but they have raised a special defense here of unconstitutionality and validity.

Mr. Wright: You are speaking about the Sampson case.

The Court: In the Sampson case. It would seem to me that that defense can be raised at any point where the plaintiff's claims come into impact with the defendant. If they come into impact with the defendant in The Tax Court he can raise it there. Both sides are agreed that this Court has jurisdiction of this suit. This is the first opportunity he has had to raise that and it is the first point where plaintiff's claims have come into impact with the defendant.

Mr. Wright: No, this is not the first.

The Court: In court?

Mr. Wright: No, in The Tax Court.

The Court: No, this is the first. If you have jurisdiction to file this suit then he can raise the constitutional question here.

Mr. Wright: The power of Congress to pass the statute, yes.

The Court: I think he might also be able to raise, as I read his statement of facts,—I haven't read his argument in support of it, but reading between the lines of his statement of fact, I take it in addition to the [11] unconstitutionality of the Act which he expects or intends to urge, he also expects or intends to assert that the Act was unconstitutionally administered. An act itself can be constitutional, but it can be unconstitutionally administered.

Mr. Roskopf: That is my position, Your Honor. We raised two points, the constitutionality of the Act and

the due process of the unconstitutionality of the administration in this particular case.

The Court: A man might have the power under the law to do so, but he might do it without granting due process.

Mr. Wright: May I call Your Honor's attention to the case of Macauley versus Waterman Steamship Company, in which—

The Court: Where is it reported?

Mr. Wright: It is 327 US at page 540.

The Court: That is now in the advance sheets, the printed advance sheets?

Mr. Wright: Yes.

Mr. Roskopf: I think it is still in the advance sheets.

The Court: Suppose you let me read the rest of defendant's statement here and then I will have a better idea what his position is.

Mr. Wright: Yes, Your Honor.

The Court: These two cases seem to be pretty well in point. Wherein do you distinguish?

Mr. Roskopf: I distinguish from the two cases in this respect. [12]

The Court: The Waterman case and the Pownall case.

Mr. Wright: Here is another one, Your Honor. U. S. versus Alexander Wool Combing Company.

The Court: Well, I won't get to that yet.

Mr. Roskopf: I distinguish between them in this way that in each one of those cases—I should say in the Waterman case the contractor there was seeking an injunction to restrain the Secretary of the Maritime Commission from renegotiating. In the case before the

Court Sampson is not in here asking for any relief. They are in here asking to protect the *status quo*. In other words, we are not in here trying to restrain renegotiation. We are not in here even trying to take the money as such, but we are trying to protect our claim that that is our money, and that is one point. The other point, and I think the most important point, is this: That the remedy of appeal to The Tax Court, that Tax Court was not even established at the time of the fiscal year here involved and under the Renegotiation Act of 1942 which covers this situation, there was no Tax Court of Appeal and no right of appeal and no provision whatsoever. The only provision in the 1942 Act was a provision for recovery in Courts of the United States. * * * [13]

* * * * *

The Court: I am inclined to think that the facts which he alleges here are material and admissible—if there is no question about it—and in view of the fact the plaintiff has rested, the defendant may put his proof on. [36]

* * * * *

The Court: (To the clerk) Get me 154 Fed. 2nd, will you? The point I am making is this. There are obviously some questions of law that cannot be decided offhand. As a matter of fact, you cannot find them unless you spend a lot of time in distinguishing between upper and lower case, Roman and Arabic numerals. There is no need for continuing the discussion of the matter and postponing the time for determination of those findings. If there is any dispute about it—in other words, if you can stipulate that down to line 19 is true, but you object to its materiality and to its admissibility, then at least we can get over the point of the facts here and you wouldn't have any proof to offer, would you?

Mr. Rosskopf: No, Your Honor.

Mr. Wright: Mr. Brett is in court, Your Honor. If the Court is going to hear this, there are some other qualifying facts that Mr. Brett will state in court as he [38] has in our conferences concerning his attitude with reference to the hearing and the attitude of the Major who came over and whose belligerency or at least stress and strain—if Your Honor is going to go into those facts, I think it might be well to develop them as they were and not as they are polished up and stated in this document that was handed to the Court this morning.

The Court: Whatever you wish to do about it.

Mr. Wright: I say they are immaterial and I cannot stipulate to the facts as stated here anyhow in view of what I know.

The Court: All right, put your witness on.

Mr. Rosskopf: If I understand Your Honor's position, we are to proceed with the evidence?

The Court: Yes, over plaintiff's objection and upon which objection I will reserve ruling.

Mr. Rosskopf: I will call Mr. Brett. [39]

RILEY J. BRETT,

called as a witness on behalf of the defendant Sampson Motors, Inc., having been first duly sworn, testified as follows:

Direct Examination.

By Mr. Rosskopf:

Q. What is your name? A. Riley J. Brett.

Q. Mr. Brett, what is your connection with Sampson Motors, Inc.?

A. I am president of the corporation.

(Testimony of Riley J. Brett)

Q. And you have been for a number of years?

A. Three years, I believe.

Q. Were you during the entire fiscal year of November 30, 1942?

A. I was secretary of the corporation then, if I remember correctly.

Q. Were you during all of 1942 the general manager and in charge of the operations of the plant?

A. I was, yes.

Q. Did you receive a call from somebody purporting to represent the Secretary of War with reference to a renegotiation of the Sampson Motors' business for the year ending 1942?

A. The first notice I had was a postcard.

Q. Do you have that postcard?

A. I couldn't say. I may. [40]

Q. Pardon?

A. I don't know. I may have it. I don't know for sure.

Q. I will state it is in the file Mr. Bromley turned over to me.

A. It may be at the shop.

Q. You think you may have it?

A. It is possible, yes, sir.

Q. Do you recall when that was received?

A. It was in 1942, if I recall correctly.

Q. In 1942?

A. It may have been 1943, I don't know.

Q. We are discussing the fiscal year which ended November 30, 1942?

A. Yes.

(Testimony of Riley J. Brett)

Q. Keeping that in mind, Mr. Brett, what was the next notice or transaction you had?

A. I called over to the Wilshire Building and told them I had this notice and told them I wanted to get it over with. They sent over Mr. Dave Moore, or it might have been Smith. It was either Smith or Moore. He started on it and I got along very good with him. Then he was taken off. Then Major Schumacher—he was a captain at first and later on he was a major—he took over and it was locking horns from then on; there was nothing I could do that pleased him.

Q. Let's get back just a moment to Mr. Moore, the first man who came out. Will you state to the Court what [41] he did?

A. Well, he didn't think that we would even be re-negotiated.

Mr. Wright: I object to what he thought, Your Honor. The question is what he did.

The Witness: Well, he looked over in a preliminary way our business and I explained to him the good along with the bad. He thought we had nothing to fear as far as the costs were concerned because I was spending a lot of money at the time and I wanted to be very careful not to overspend and not have my tax money.

By Mr. Roskopf:

Q. How long was Mr. Moore there? By the way, did this take place at your place of business?

A. It did, yes, sir.

Q. Where is that place of business?

A. 1950 West Sixty-second.

Q. In Los Angeles?

A. Yes, sir.

(Testimony of Riley J. Brett)

Q. All right. How long did Mr. Moore remain there or how many times did he come?

A. I think he was sent there once and I would say an hour or possibly a little longer.

Q. He did not return? A. No, he did not.

Q. The next call you had was from Captain Schumacher? A. Yes.

The Court: How do you pronounce it? [42]

The Witness: Schumacher.

By Mr. Rosskopf:

Q. Will you just relate to the Court what happened when Captain Schumacher came to your place?

A. Well, he first asked for a financial statement. I told him I wanted to talk with the auditor first.

He said, "Well, we will examine your books if you don't get it for me."

It was finally obtained and I turned it over to him. When he received it he signed for it at the time.

Q. About when was that?

A. I don't know exactly what date it was. I couldn't get close to it.

Q. Was that before the so-called hearing that was set up on Beverly Boulevard A. Yes, it was.

Q. Did you thereafter receive a letter that a hearing would be held at the Army Air Forces office on the 29th of May, 1944? A. I believe we did.

Q. That was at 3636 Beverly Boulevard?

A. Yes.

Q. In response to that notice did you appear at that hearing? A. Yes, with counsel.

Q. Who was with you?

A. Mrs. Brett and Mr. Bromley.

(Testimony of Riley J. Brett)

Q. Will you just state to the Court what took place [43] at that time as near as you can remember what was said and what was done?

A. Well, there was very little if anything. We weren't allowed to say any more than I could in my own place.
By the Court:

Q. All right, what was said?

A. Well, he asked me if I wanted to—

Q. Who asked you?

A. Captain—well, he was a major at that time, Major Schumacher.

Q. Who else was there?

A. He didn't have any one in his office excepting our attorney and my wife.

Q. What was said?

A. He asked me if I wanted to settle. I told him no. There was other discussion, but I cannot accurately state what that was, Your Honor.

Q. What was it, the substance of it?

A. Well, I am ashamed to admit it, but when he wanted to shake hands with me I wouldn't on account of the treatment I received at my place. It was just a question. He wanted to know if I wanted to make a settlement and I said no, not unless he wanted me to state the facts which he had never heard. That is the substance of all of it, Your Honor.

Q. What else was said? Did he say "Get out" or did you say "I am going home"? Did your lawyer say something? [44]

A. Well, there was some comedy that came into it, that I can state pretty accurate; he said they made a mis-

(Testimony of Riley J. Brett)

mold or something when they molded me. That is all I can recall.

Q. Was there any discussion had at that time concerning a definite figure?

A. There was not, not at that meeting.

Q. Did he ask you any questions about your business, what you were making?

A. He did not, Your Honor.

Q. Did he ask you any questions about the efficiency of your business?

A. He did not, Your Honor.

Q. Did he ask you any questions at all?

A. No, only did I want to settle.

Q. That is the only question he asked you?

A. That is all I recall, Your Honor.

Q. Did he mention any figure at all?

A. He did not.

Q. Did you ever see him again?

A. Yes, Your Honor.

Q. When did you next see him?

A. I can't recall the date, but it wasn't a matter of two or three weeks, I would say. He was there some eight or ten times, I might say, in all.

Q. There?

A. Yes.

Q. Where? [45]

A. At our shop.

Q. Did you give him access to your books and records?

A. Not until he subpoenaed the books.

Q. He subpoenaed them?

A. Yes, sir.

Q. When?

A. That was in 1943.

Q. Where?

A. At our plant at 1950 West Sixty-second Street.

Q. In 1943?

A. I think it was 1943, yes, sir.

(Testimony of Riley J. Brett)

Q. Do you mean he subpoenaed them? Did he have you bring them some place? I don't understand.

A. We had a choice of taking them over there or him sending auditors to our plant, and they sent auditors there and audited the books in our plant.

Q. At that time you gave them access to all of your books and records?

A. That is right, yes, sir, Your Honor.

By Mr. Roskopf:

Q. You say they sent auditors to your plant then?

A. They did, yes.

Q. You say that was in 1943? A. 1943.

Q. When was the first notice you had or the first intimation that the Government expected \$60,000 in excess profits from you?

A. Mr. Schaumacher. Major Schumacher, I should say, [46] came there. He said he had it all ready for settlement and we owed the Government \$60,000 and that he was going to recapture it. Mrs. Brett asked him if that was before taxes and he said yes.

Q. What did you answer to that?

A. I told him I wouldn't pay it.

Q. Was anything said concerning the method of arriving at the \$60,000 figure?

A. We wrote him a letter asking for the method of determination, but we never had any answer.

Q. Did you ever receive any kind of a computation?

A. I never did.

Q. Or a document showing how that was determined?

A. We never did.

Q. Do you know how it was arrived at?

A. I do not.

(Testimony of Riley J. Brett)

Q. You thereafter received a wire from Washington, did you not? A. What?

Q. You have read this statement I prepared for the Court, have you not? A. I have, yes.

Q. I call your attention to a statement in there that on or about June 19, 1944 you received a wire from the chief of the renegotiation branch. You received that wire as set forth in that statement, did you? A. Yes.

Q. You did receive such a wire? [47] A. I did.

Q. On or about that date? A. Yes.

Q. And you replied in accordance with the answer which is set forth herein? A. Yes.

Q. How big is your shop, Mr. Brett?

The Court: Do you want to file that, counsel? It is not in the record. That wire is not in the record.

Mr. Roskopf: I would like to ask that the statement which I have handed to Your Honor be filed and the wires which I have referred to are appended in that statement.

The Court: This will be filed.

Q. Did you receive a letter on or about May 24, 1944, advising you by registered mail that you would have the privilege of presenting to them any factors pertaining to the renegotiation of your fiscal year ending 30 November, 1942, stating that inasmuch as settlement proposed by you has not been accepted by you— A. Yes.

Q. —the district board has reserved the afternoon of Monday, 29 May, 1944 to meet you at the district headquarters at 3636 Beverly Boulevard, Los Angeles, California; you received that?

A. I did, Your Honor.

(Testimony of Riley J. Brett)

Q. That is a letter in response to the one meeting held at the office of Major Schumacher which you attended? A. Yes, sir. [48]

Q. Who was the board? Was he the only person there? A. He was the only person in the office.

Q. Did he tell you that he was the board or something? A. No, he did not.

Q. Did he say who he was?

A. Well, I knew who he was, Your Honor.

Q. No. I mean did he give you some statement or identification as to his power or authority to act in the matter? A. He did not, no sir.

Q. Did he ever?

A. Oh, yes, he told me on his first visit to our place that he could settle it right then and there if I wanted to the first time he was over.

Q. Did he ever present you any document from the War Department or anybody else which indicated an authorization on his part to negotiate with you?

A. Well, he had credentials to show that he was a renegotiating officer.

Q. Then on or about June 1, 1944, you received a wire set forth beginning on page 2, line 31 down to line 15 of page 3 of this statement; is that right?

A. Yes, sir.

The Court: May it be stipulated that the reporter can copy that into the record, Mr. Wright? Or do you want the whole wire? Have you got the wire?

Mr. Roskopf: I don't have the wire, but I have a [49] letter.

Mr. Wright: I haven't any objection, Your Honor.

(Testimony of Riley J. Brett)

(The telegram referred to by the Court is incorporated into this record as follows:)

“RENEGOTIATION IMPASSE YOUR COMPANY WITH ARMY AIR FORCES REFERRED TO THIS BOARD. UNDERSTAND THERE IS NO MATERIAL DISAGREEMENT AS TO REPORTED FACTS AND FIGURES AND INABILITY REACH AGREEMENT DUE SOLELY TO AMOUNT OF PROPOSED REFUND. CAREFUL REVIEW AND CONSIDERATION REPORTS COVERING CASE INDICATE SETTLEMENT FAIR AND EQUITABLE. SHOULD YOU CONSIDER FURTHER HEARING DESIRABLE WITH BOARD REPRESENTATIVES IN WASHINGTON MEETING CAN BE ARRANGED FOR TEN A. M., 29 JUNE 1944, ROOM 3D 573, THE PENTAGON. IN EVENT THIS DATE INCONVENIENT PLEASE ADVISE BY TELEGRAPH OR TELEPHONE YOUR CHOICE NOT LATER THAN TEN DAYS THEREAFTER. IF MEETING NOT DEEMED NECESSARY NO ALTERNATIVE BUT TO SUBMIT CASE TO UNDER SECRETARY OF WAR FOR DETERMINATION. PLEASE ADVISE BY 26 JUNE SPRAR.”

The Court: You sent on January 20, 1944 the wire which is set forth on page 3 of this statement, lines 25 to 32; is that right?

The Witness: Yes, Your Honor, that is correct.

Mr. Wright: I haven't any objection to the incorporation of that in the record as it is set forth in this memorandum.

(Testimony of Riley J. Brett)

The Court: Very well. [50]

(The wire of June 20, 1944 is incorporated into the record as follows:)

"There is no impasse. No determination or basis of claim for refund or settlement ever been presented. Local Board refused to allow us to present facts under Sec. 403 A(4)(A) so it is impossible for you to have all facts.

"Attendance in Washington is unreasonable as it would stop our entire production of essential aircraft parts that I have agreed to manufacture."

The Court: Then thereafter you received a letter bearing date 29 June, 1944, and which is set forth on page 4, lines 3 to 9 of this statement:

"In accordance with our telegram to you of 19 June 1944, inasmuch as it has not been possible to work out an agreement as to the requested refund of \$60,000 excessive profits for the year ended 30 November 1942, we are recommending that this case be submitted to the Under Secretary of War for his consideration."

The Witness: Yes, sir, we received that letter.

The Court: You thereafter received another letter bearing date July 31, 1944, which is set forth on lines 14 to 28 of your statement; is that correct?

The Witness: Yes, sir.

Mr. Wright: I will agree the reporter may copy in the [51] lines just indicated by Your Honor as being the substance of the two communications in question.

Mr. Rosskopf: Thank you, Mr. Wright.

(The letter of July 31, 1944, referred to by the Court is copied into this record as follows:)

(Testimony of Riley J. Brett)

"I have reviewed the data furnished by your company and the proceedings in connection with your 1942 renegotiation with the War Department Price Adjustment Board and have reached the conclusion that the proposal heretofore made to your company by the War Department Price Adjustment Board should be affirmed. I have therefore made a unilateral determination that \$60,000 of the prices and profits realized by Sampson Motors, Inc., during its fiscal year ended 30 November 1942, under its contracts and subcontracts subject to renegotiation pursuant to the provisions of Section 403, are excessive. An executed original of such unilateral determination is inclosed herewith."

The Court: You referred to another letter. There is no dispute about tax credit of \$42,000 and the transmittal of the difference, is there?

Mr. Roskopf: No.

The Court: The rest of the matters here were stipulated to except that on or about that date I think I can probably [52] take judicial notice of the strict priority basis in the securing of private transportation from Los Angeles to Washington, D. C.

Q. Did you make any effort to get priority, Mr. Brett?

A. Yes, sir.

Q. At or about that time?

A. I did, Your Honor.

Q. Were you able to get it? A. No, I wasn't.

Q. You were unable to secure any method of transportation? A. Well, I could have driven.

Q. By automobile? A. Yes, Your Honor.

Q. Well, did you have gasoline coupons?

(Testimony of Riley J. Brett)

A. Yes, I did.

Q. You did? A. Yes.

Q. You had gas?

A. We had plenty of gas, yes, sir.

Q. Could you have otherwise left the business?

A. No; I figured it would be the wrong thing to leave the business.

Q. What was your position?

A. I was managing the whole plant.

Q. What did the plant do?

A. Well, we had to make aircraft parts. We had thirty-four machines and I set up most of them. We were [53] entirely with girls at that time.

Q. And you were managing it?

A. Oh, yes, Your Honor.

Q. Your time was actually required there every day, was it?

A. To get right in and work, Your Honor.

The Court: All right.

By Mr. Rosskopf:

Q. What do you mean when you say you set up most of it?

A. I set up all of the machines for anybody that needed them and nobody else could do it.

Q. In other words, you set up a particular machine to do a particular job and then the operator would operate it? A. She would operate it, yes, sir.

Mr. Rosskopf: Does Your Honor want to take the noon recess now?

The Court: Yes, we will recess until two o'clock.

(Noon recess at this point.) [54]

Los Angeles, California, Thursday, February 6, 1947,
2:00 P.M.

RILEY J. BRETT,

resumed the stand and being further examined by Mr. Rosskopf testified as follows:

Q. Mr. Brett, I would like to have you go back to the first contact that you had with reference to renegotiation for the fiscal year ending November 30, 1942, and if you can just state to the Court the various conversations and calls which were made in connection with them. In other words, as nearly as you can, tell us the order that they occurred and state who came to see you and what took place in connection with the renegotiation.

The Court: Before you answer that question, in connection with the Government's objection to the introduction of this evidence, during the noon hour I read the Spaulding case and the other case. I think under the Spaulding case this evidence is admissible. In 154 Fed. 2nd, page 422 the Court says, among other things:

"We are unable to see how the making of the contract and its performance estops the subcontractor appellants from contending that it is not controlled by a statutory provision which, if unconstitutional, does not exist." And so forth.

In other words, I think the defendant here has the right to raise the question of the unconstitutionality of the Act and of the conduct of the people in the renegotiation process.

Mr. Rosskopf: Now, will you read the question, Mr. Reporter.

(Pending question read.)

(Testimony of Riley J. Brett)

The Witness: Well, this notice was brought over. It wasn't mailed. It was brought over. The Inglewood District advised me to call the Wilshire District and have some representative come over, which I did, and they sent their man named Dave Smith or Moore—I don't know that name. I related what we had done in the short time he was there.

He said, "Well, you are going to get along all right. I see no reason for you to have anything to fear."

He was taken off or quit. I don't know where he is now. Then this Captain Schumacher came in.

The Court: Just a moment. When Dave came over did he examine the books and records?

The Witness: Only tentatively, Your Honor.

The Court: All right.

The Witness: He let me relate what was my good doings, I thought.

The Court: Very well.

The Witness: Then Captain Schumacher came over and we went into the office. There was nothing I could relate. I couldn't say a thing. All he wanted were facts and figures and he wanted them right now. He always came with a companion or helper. So Mrs. Brett and I called in some one to hear the conversation. There wasn't much said. He demanded a financial statement which I did not release. [56] Then he came back again and I would not release it. He said he would have to get a subpoena to release the books. I said that would be one way of doing it.

Then General Stetts called me and asked if I would not release the financial statement to him, and I said yes, I would, and I did and I had him sign a receipt for it.

(Testimony of Riley J. Brett)

That seemingly antagonized Major Schumacher very much because I couldn't talk to him from then on at all. He would come over, but there was nothing I could say until he had these facts and figures and he would get them and that was it. We just didn't get anywhere talking to him. I tried to explain how I reduced prices on different occasions, but that didn't mean a thing. I offered to show purchase orders where we voluntarily did it, which would save as much as fifty per cent on large orders, not small ones. He said, "That doesn't mean a thing. I want financial statements."

When he came back it was the same thing. There was no cooperation or anything. He told me if I wanted to cut down my profits I should spend more money advertising, which I didn't have any occasion to do because I had more work than I could do and no demand for advertising that I could see.

The Court: Was your work entirely in war effort? Were you producing entirely for war work?

The Witness: Yes, sir, ninety-five per cent. He also told me I should pay my wife more salary. Well, we had no control over salary. They were set up by the National [57] Labor Relations Board, and I told him that. There was nothing I could do that would impress him that I had done a good job. Seemingly in his mind I was a victim to be under his command.

Then to bring it to rather a climax, he had this gentleman with him. I asked him in a nice way, as nice as I knew how, how the Government could fine me for saving them \$75,000 in one year. "I can show you in one contract. Major, where in one contract alone I saved you \$75,000,

(Testimony of Riley J. Brett)

the same Army Air Forces that you represent. I would like to have you answer that question."

His accomplice tried to answer it. In a rude way he told him to shut up, that he was his superior and would take care of it himself. That is about the substance of it.

By Mr. Roskopf:

Q. He was in your place a number of times before this meeting in the Air Force Building on Beverly Boulevard? A. Yes.

Q. Do you recall on any of those occasions when he was in there whether he stated how much money he thought he considered excess profits?

A. No, not until we talked to him that one time when he said he was going to recapture \$60,000. Mrs. Brett asked him if it was before or after taxes. I didn't say anything then.

Q. What did he say to that?

A. I believe he said it was tax deduction. [58]

Q. Was he also working on your 1943 fiscal year about the same time? A. Yes, he was.

Q. In connection with the renegotiation of the 1942. Was there any discussion with relation to your business for 1943?

A. There was, yes. He informed me and he even threatened me that if I didn't do over \$500,000 I was subject to sabotage, and he called the War Production Board and Mr. Elmer Nege, and he also called my auditor, and they both called me and told me that they had this—you would call it a threat—from Major Schumacher and I had better do over \$500,000. Mr. Bromley, my attorney, said if I go into anything like that not to depend

(Testimony of Riley J. Brett)

on him for protection, that I had better get Jerry Giesler if I went into that subject.

Mr. Wright: Your Honor, I don't want to interrupt all the time with objections if we may have it understood that all of this testimony is going in subject to the objection which the Court has overruled. I would like to state it fully so there won't be any question about it. All of this evidence is immaterial and irrelevant because it relates to a subject concerning which this Court has no jurisdiction by reason of the failure of the defendant Sampson to file a petition in The Tax Court. I think that states it with sufficient fullness. If we may have that understanding I won't interrupt any more.

The Court: When the objection was made in the beginning [59] I assumed it was on that ground and I overruled it and stated then and will restate now if you feel it is necessary to protect the record that the objection may be deemed to have been made and overruled as to the entire line of interrogation.

By Mr. Roskopf:

Q. You stated, Mr. Brett, that you had offered Major Schumacher a letter to show that you had made a saving of \$75,000. I show you here a document and ask if that is the letter to which you referred? A. Yes, sir.

Q. Where did you receive this letter, this particular paper that is now in your hand?

A. At our place of business, 1950 West Sixty-second Street.

Q. How did you receive it?

A. It was mailed.

Q. It was mailed to you? A. Yes.

(Testimony of Riley J. Brett)

Mr. Rosskopf: We will offer that as Defendant's Exhibit.

The Court: Exhibit A.

By Mr. Rosskopf:

Q. During any of the times when you talked to Major Schumacher or anybody else from the Army Air Forces about this renegotiation was that letter handed to Major Schumacher or to anybody else representing the Air Forces?

A. Not to Major Schumacher, no, but I believe that [60] Major Kilgore saw that letter. I am not sure. He was the head of our branch out there in Inglewood which controlled our area.

Q. You stated that you offered that letter to Major Schumacher. What was his response to that offer?

A. He wasn't interested in anything that I could tell him or show him. I offered him purchase orders to show where I had saved up to fifty per cent by making forgings instead of bar stock, but that wasn't his duty; his duty was to renegotiate and he was not interested in anything I could show him.

Q. Did Major Schumacher go through your plant?

A. He did not. He was in the offices only.

Q. He never went into the shop?

A. No. I wouldn't let him.

Q. How many employees did you have in your shop on the average during the year 1942?

A. I had thirty-four men. Forty-two was the most I had. For an average it would be, I would say, somewhere between twenty-five and thirty.

Q. Did you spend all of your time in the shop?

A. I did.

(Testimony of Riley J. Brett)

Q. Did Mrs. Brett spend all of her time in the office?

A. She did.

Q. I believe you stated before that you set up all of the machines. You are a machinist by trade, are you not?

A. Yes, sir. [61]

Q. You have been in the machine shop business for a number of years, Mr. Brett?

A. Thirty years.

Q. Did Major Schumacher or anybody else representing the Air Force in connection with this renegotiation inquire into or go into, so far as you knew, the question of your use of raw materials?

A. Major Menasco. Several visits to our shop and his efforts or his mission seemingly was to get us to buy more machinery. Then the War Production Board came out and wanted us to buy more machinery. I told Major Menasco I did not see any reason for thread garners. I didn't see why I should pay more for machines. He said if I showed him there were idle ones around town he would do something about it. I referred him to Kinner. He went out to Kinner's plant and said there were several machines and wouldn't do general job shop work. I told him I thought he was mistaken and if he would pave the way for us I would be able to go out and see if it would. So I went out and set up the machine and ran numerous parts on it, the very parts we were making. It was identical with the machine we had in our shop. Then Mr. Nege came out and insisted on more thread garners. I said I couldn't buy them; I would be very glad to have the auditor come out and go over the financial status with him and if he could show me where it was even a good adventure I would be willing to buy them. That happened. Mr. Nege came out and Mr. Masters came out. It showed

(Testimony of Riley J. Brett)

we could not do it; we [62] did not have capital to do it. We did buy one more used one from San Diego after that.

Q. You stated at this hearing in the building of the Air Forces on Beverly Boulevard that Major Schumacher was the only one there representing the Army?

A. That is right.

Q. Was any evidence received there at all?

A. I don't know what that mission was for and I don't believe Mr. Bromley or Mrs. Brett did. We don't know yet why that arrangement was made because there was nothing said.

Q. Was any agreement prepared and submitted to you at that time? A. No.

Q. Or at any other time?

A. No other time that I know of.

Q. Have you ever seen up to this very day a computation or any schedule of figures showing how the \$60,000 was arrived at? A. I have not.

Q. You stated on a number of items you did make voluntary price reductions in war goods?

A. I did.

Q. Were you familiar with the prices that other machine shops were charging for the same items?

A. In the neighborhood, yes.

Q. Do you know how your prices compared with prices of other shops? [63]

A. Well, not all of them, but the ones I do know we were considerably lower, I would say as much as thirty to forty per cent. I had the opportunity of doing the estimating for one of my neighbors and he always brought them up higher than I estimated them a good deal.

(Testimony of Riley J. Brett)

Q. Was a large portion of your work under purchase order from Lockheed Aircraft? A. In 1942, yes.

Q. I show you here what purports to be Lockheed purchase order bearing date of March 20, 1943 and a change bearing date of May 20, 1944, and I will ask you if that was a purchase order to your company?

A. Yes.

Q. I call your attention to the change order so-called and the statement of the reason for the change "vendor's voluntary price reduction a part formerly made from casting changed to forging." A. Yes.

Mr. Rosskopf: I will offer that as Defendant's next in order.

The Court: Exhibit B.

Mr. Wright: This fiscal year ended November, 1942, Your Honor.

The Court: What is this?

Mr. Wright: 1943 and 1944, as I understand, counsel.

The Court: I don't think this would be material.

Mr. Rosskopf: That particular one is in 1943, Your Honor. [64]

The Court: The objection to this is sustained.

Mr. Wright: I am just calling the Court's attention to it.

The Court: Yes.

Mr. Wright: I am not adding to my other objection.

The Court: I understand.

By Mr. Rosskopf:

Q. Do you know whether there were price reductions granted, voluntary or otherwise, during 1942 on aircraft items? A. Yes.

(Testimony of Riley J. Brett)

Q. Or war goods? A. There was, I am sure.

Q. Do you recall any of them in particular?

A. I believe it was called a tab gear. We made many hundreds of them. I think we made around 5,000. I asked Lockheed for the privilege of changing my bar stock, which was heavy to handle because we had no cranes in our shop, to forgings. They said it would be all right, but they could not hold up because it would take I don't know how long to get an order through to change over the engineering and all, so I had the die made at Ajax Forging and paid for it myself. Then they in turn paid for it. That reduced the cost roughly forty-five per cent. We got around \$8 for the gear and Lockheed furnished the stock, replaced with forgings and were furnishing material for \$4.15. I believe those are the correct figures. We had a wire from Lockheed at Nashville wanting some of these gears that we [65] later discontinued, but we did let them have the use of the dies which are still ours. I believe the Slogan Machine made them for them.

Q. Was any of that information given to Major Schumacher?

A. Major Schumacher would not listen to anything like that. The other gentlemen would, but I couldn't possibly—

By the Court:

Q. Did you give it to the other gentlemen?

A. When Major Schumacher was there I showed him the things that I had in there at the time, Your Honor, and he informed me that he thought we had little to worry about in renegotiation as he saw it in his haste, as he was there on his first visit.

(Testimony of Riley J. Brett)

Q. All of your correspondence was made back and forth to Mr. Schumacher, was it?

A. All of our correspondence?

Q. Yes.

A. I don't think I ever gave him anything other than that financial statement.

Q. Well, when he sent the auditors out.

A. Well, they had a subpoena for that.

Q. The auditors saw all of your correspondence and records?

A. Yes. There was a gentleman named Sheehan who was very cooperative. He spent some time in the shop with me. He was very cooperative to help us in any way he could. [66] I believe his name was Dick Sheehan. He seemed to be in charge of that branch of auditing.

By Mr. Roskopf:

Q. I show you here what appears to be a financial statement of Sampson Motors for the fiscal year ending November 30, 1942, and ask you if that is the financial statement for your company for that year?

A. Yes, I would say it is.

Q. That is the statement which was made available to the Army Air Forces?

A. Yes, sir.

Mr. Roskopf: I will offer that as Defendant's next in order.

The Court: Exhibit C.

By Mr. Roskopf:

Q. Now, you were drawing a salary as an employee of the corporation, were you?

A. Yes.

(Testimony of Riley J. Brett)

Q. How much did you draw during the year, 1942?

A. I cannot exactly answer that. I don't know whether it was fifteen or sixteen thousand dollars, something like that.

Q. And Mrs. Brett, your wife, was also an officer of the corporation?

A. That is right.

Q. Do you know how much she drew as such officer for that year?

A. No, I do not. I am sorry, I don't know. [67]

Q. Perhaps she can help us on that. Do you know how much the gross sales of Sampson Motors were for the fiscal year which ended in 1941?

A. 1941? No, I don't. I know 1943, but I don't know 1941.

Q. Do you recall approximately or relatively how much? A. 1941?

Q. Yes.

A. I am not sure. I am only guessing. It was around \$100,000, I would say, something like that. I don't know how far off I am.

Q. In other words, there was a substantial increase in the volume of business in 1942?

A. Yes, I think it was doubled.

Q. I believe you stated you did purchase a number of items of new machinery in 1942?

A. Yes, we did.

Q. Those were all purchased, were they, with Air Force priority? A. Yes, they were.

Q. And with their knowledge and consent?

A. Yes. We even brought one machine in by express at the request of the Air Forces from Cleveland.

(Testimony of Riley J. Brett)

Q. In other words, most of the machinery you purchased was at their request rather than your own?

A. Yes, all of the production machinery was, because I don't like production machinery for myself, but it was [68] required during the war.

Q. How about the capital for the purchase of this new machinery, was that all furnished by you, or did you have Government assistance on that?

A. No assistance whatsoever.

Q. You furnished all of your own capital?

A. I did, yes.

Mr. Rosskopf: You may cross-examine.

Cross-Examination

By Mr. Wright:

Q. Mr. Brett, the profits you made, that is, that Sampson Motors, Inc. made during the fiscal year ending November 30, 1942 were actually received by the payment of the invoices, were they not?

A. The profits we earned, you mean, were received by payments of the invoices?

Q. Yes. A. I would say yes.

Q. In the course of this renegotiation over a period of time there were several auditors in your plant auditing your books? A. Just the one time.

Q. How many auditors?

A. There were two auditors, that is all there were there.

Q. There were two auditors there?

A. They were there three days, three or four days. [69]

Q. They were there three or four days?

A. Yes.

(Testimony of Riley J. Brett)

Q. They had available to them in addition to this financial statement that you have identified here the general books of account of the business of the company?

A. Yes, sir.

Q. It was after they were there that you received the letters and communications you have testified about notifying you to appear over on Beverly and again in Washington, is that right?

A. I think we had some letters before that, I am not sure. Dates are something I can't keep in my mind, Mr. Wright.

Q. I am referring to the one where they said they were going to renegotiate and wanted to give you an opportunity to appear over on Beverly Boulevard.

A. I don't know when that was. Those dates I am not sure of.

Q. You have them, Mr. Brett, don't you?

A. Do I have the dates?

Q. No, you have the letters?

A. Mr. Rosskopf may have them, I don't know.

Q. It was in 1943, you testified that the auditors were there?

A. That is right.

Q. At your place? A. Yes, sir.

Q. You stated that you received by registered mail [70] advice as follows: This appears on page 2 of this statement. I am reading now from this memorandum that counsel handed to the Court this morning and that the Court ordered filed and it is denominated "Statement of Issues and Offer of Proof:"

Following this verbal notification on May 24, 1944, the Air Forces advised Sampson by registered mail that it desired to avail Sampson "of the privilege of presenting

(Testimony of Riley J. Brett)

to them any factors pertaining to the renegotiation of your fiscal year ended 30 November 1942, inasmuch as the settlement proposed to you has not been accepted by you.

"The District Board has reserved the afternoon of Monday, 29 May 1944, to meet with you at District Headquarters, 3636 Beverly Boulevard, Los Angeles, California."

You got that registered letter of May 24, 1944. That was after the auditors had been there in 1943, wasn't it?

A. That is right.

Mr. Rosskopf: I have a copy of that letter or the original and a copy, if you desire it, and if you wish to put in the full text of it, Mr. Wright.

Mr. Wright: I don't desire to put it in because it is immaterial.

Q. You refused to enter into a discussion with the Major about a settlement of the amount of excessive profits, didn't you, Mr. Brett?

A. I asked General Stetts to give me a change from Major Schumacher and there was no use to waste any more [71] time talking to Major Schumacher. I made several endeavors.

Q. That is evasive of the question. I think your testimony was in discussing this thing with Major Schumacher he told you that you could settle it and asked you if you wanted to enter into an agreement about it.

A. That was the first visit there. He informed me that he had the power to settle right now.

Q. You told him you did not owe any excessive profits, didn't you?

A. I told him I didn't think I did.

(Testimony of Riley J. Brett)

Q. And that you were not going to agree?

A. There wasn't anything to agree on at that time, Mr. Wright.

Q. Well, after that the auditors came in?

A. I think he was there again before the auditors came. I can't recall exactly.

Q. It was after you had this conversation we are talking about—whether he was there any more or not—it was after that that the auditors came around, wasn't it?

A. Yes, it was after.

Q. It was after that you got your notice from the Beverly address that you could appear before the official over there, is that right, the one I have just read to you?

A. Yes.

Q. That was in 1944? A. Yes.

The Court: Obviously so, because he testified that [72] occurred in 1943.

Mr. Wright: I think it is admitted here that he had notice of the order. That is all, Your Honor.

The Court: Step down. Call your next witness.

Mr. True: May I ask one question?

The Court: Surely.

Cross-Examination

By Mr. True:

Q. I show you a letter, Mr. Brett, dated February 5, 1945 on the letterhead bearing the name Sampson Motors, Inc. and ask you if that is a letter which you wrote and signed and sent to Lockheed Aircraft Corporation?

A. Yes. That is my signature.

Mr. True: I would like to introduce this in evidence as an exhibit of Lockheed Aircraft Corporation and at the same time substitute a photostat therefor.

The Court: Very well. We will call it L for Lockheed. You have the stamp on that one, have you?

Mr. True: Yes, Your Honor.

The Court: Does it make any difference?

Mr. True: The received stamp is on the back of it, yes.

Mr. Roskopf: We have no objection and no objection to the substitution of a copy for the original.

Mr. Wright: What is this?

Mr. True: That is a photostat I am substituting.

Mr. Wright: I see.

Mr. True: No further questions, Your Honor. [73]

The Court: Step down. Next witness.

Mr. Roskopf: I will call Mrs. Brett.

BERTHA BRETT,

called as a witness on behalf of the defendant Sampson Motors, Inc., having been first duly sworn, testified as follows:

Direct Examination.

By Mr. Roskopf:

Q. What is your name? A. Bertha Brett.

Q. You are at the same address?

A. Yes, the same address as my husband.

Q. Are you an officer of Sampson Motors, Inc.?

A. Yes, sir.

Q. What officer are you?

A. I am secretary.

Q. How long have you been such officer?

A. Since May 4, 1942.

(Testimony of Bertha Brett)

Q. Prior to that time you were connected with Sampson Motors, Inc.?

A. No. I was just a housewife before that for seventeen years.

Q. Since May, 1942 what has been your duty? In other words, what have you done at Sampson Motors, Inc.? [74]

A. I had complete charge of the books, purchase orders and everything in the office.

Q. You were paid a salary for that, were you?

A. Yes.

Q. What salary did you draw or what compensation did you have during 1942?

A. Well, the auditor at first had a misunderstanding of a wife's duty even though she worked twelve hours a day from time to time. He thought I should not have any, so even though I was putting in overtime and had enough work for maybe two people—anyway, they finally allowed me \$35 a week, to begin with, and then it increased to—I can't remember the amount I earned for the whole year, but it was \$75 a week before the year was up, before the freeze went in.

Q. Were you present when Captain Schumacher, later Major Schumacher, came to the office of Sampson Motors, Inc. concerning renegotiation? A. Yes, sir.

Q. Were you present on more than one occasion when he was there? A. Yes.

Q. Would you say you were present on every occasion he was there?

A. I may have missed one or two conversations in between when I would have to answer the phone, because in a small office you have to answer a phone in between;

(Testimony of Bertha Brett)

but I was always on hand when he was there because I am always—[75]

Q. Will you just relate to the Court, as nearly as you can, the conversations and transactions that took place on these various occasions that he called?

A. Well, I don't remember dates and the sequences of them. That is positive. But it was mostly just conversation and wanting us to agree that we had been excessive and that we owed the Government both before the audit and afterwards. At one time, of course, he just said that he had the power to make any agreement that was to be or not to be—that was before the audit—and he also insinuated the same thing afterwards before there was any amount given to us that they had unilaterally decided upon.

Q. If you can go into a little more detail as to what was said about the business of the company and the nature of operations, and so on.

A. Well, they didn't seem to be interested whatsoever in any efficiency that we might be putting forth, and if and when they made the audit there was never any—of course, there were no letters to show them and I don't think they would look at them, anyway, because they were just the auditors that were out. But on the other hand, Mr. Moore who I don't think had anything to do with renegotiation other than to try to get us to maybe cooperate with them, but there was never any cooperation as far as wanting to know what we were doing and how we were doing it and in saving anything or any efficiency that we had.

But I went to one meeting over at the Beverly Building with Major Schumacher, but at that time there was [76]

(Testimony of Bertha Brett)

just conversation, there was nothing about any determination as to where they had obtained the \$60,000. Of course, the Internal Revenue had informed us before that how much tax reduction there would be from the excess profit that we had already paid.

Mr. Wright: May it be understood, Your Honor, that the same objection I made to the testimony of Mr. Brett applies to this witness?

The Court: So ordered.

By Mr. Rosskopf:

Q. Let us take that meeting you attended before Major Schumacher at the Beverly Boulevard office. Just give us, if you can, Mrs. Brett, exactly what happened from the time you walked into the place until you left?

A. Well, Mr. Bronley, our attorney at that time, and Mr. Brett and I went over there at Major Schumacher's invitation or insistence. He wanted Mr. Brett to shake hands with him, but he didn't. So it seemed to be a subject of personality that Major Schumacher had on his mind that afternoon and there was nothing as far as—there was no paper work he asked us to sign other than he was always asking if we were going to pay this renegotiation and sign it; that seemed to be it, but I don't know what they wanted to sign because we were never given anything to sign because we had no idea where the amounts came from or what it was. It was just a flat sum that they decided.

Q. Did you ever endeavor to ascertain how that was arrived at? [77]

A. Yes, we asked him numerous times. I don't have any copy of the telegram, but I know that Mr. Bromley repeatedly asked him where they got this. We wanted to

(Testimony of Bertha Brett)

know whether it was just straight figures that they had obtained the \$60,000 or whether it was penalty or what it was. I asked him myself if there were any figures and I asked the auditors when they left if there were any figures that we would be able to obtain to see where they figured that we were excessive.

Q. What was their answer?

A. Well, they would get around to it maybe, but that was their decision and they decided upon that, but that wasn't our affair.

Q. Were you ever present when Mr. Brett or any one else, including yourself, offered to produce evidence of efficiency, savings, and things of that nature?

A. Every time Major Schumacher was out there we wanted to show him purchase orders. The one we have today happens to be 1943. That was brought down for the stamp of the renegotiation loan merely, but they were not interested in that. And the fact that we had the letter. Of course, the other one was later. But Major Schumacher said no, that they wanted the figures and they would make their own decisions later, but he wasn't interested in it. Mr. Moore may have seen it, but as I say, he was with them just a short time and he may not have been anything but just an agent and he never had anything further to do with renegotiation. [78]

Mr. Roskopf: You may cross-examine.

Mr. Wright: No cross.

The Court: Step down. Next witness.

Mr. Roskopf: I have no further witnesses, Your Honor. I think I would like to offer more as a sample than anything else the purchase order which was current-

ly in use during that period showing the renegotiation stamp. I presume Mr. Wright will stipulate to that?

The Court: What has the renegotiation stamp to do with this?

Mr. Rosskopf: I should say in some cases it was typed in and in some cases it was put in with a rubber stamp, stating the purchase order was subject to the provisions if applicable of the Renegotiation Act of 1942.

Mr. Wright: Same objection, Your Honor. It is immaterial and is something that is not within the jurisdiction of the Court in this hearing because of the failure of Sampson Motors, Inc. to file a petition before The Tax Court.

The Court: I don't see how this is material.

Mr. Rosskopf: Probably not, Your Honor, except to show that in the course of dealings the purchase orders were given and accepted subject to the Act of 1942. Of course, the Act as it then existed would be the one that would apply to the contract. I think it would probably follow.

The Court: Well, this will be admitted. The objection will be overruled. It is Defendant's C for the purpose of [79] showing the legend relating to renegotiation. Any others?

Mr. Rosskopf: No, Your Honor.

The Court: Do you rest?

Mr. Rosskopf: The defendant Sampson Motors rests.

The Court: Lockheed?

Mr. True: I should like at this time, Your Honor, to introduce on behalf of the defendant Lockheed Aircraft Corporation three letters dated respectively 6 October, 1944, 8 January, 1945 and 9 May, 1945, each of which is an order from Robert P. Patterson, Under Secretary of War.

The Court: That was all stipulated to before you got here this morning.

Mr. Rosskopf: Yes.

Mr. True: It was? That we did receive the order?

The Court: Not the form of the order. There is no contest to the form, is there?

Mr. Rosskopf: No, Your Honor.

Mr. True: I have nothing further.

The Court: Does everybody rest?

Mr. Wright: We rest, Your Honor. [80]

* * * * *

The Court: I don't think you need to waste any time on that. As I indicated to counsel when he was arguing, maybe in The Tax Court he could have a trial *de novo* and attack all of the elements and find out what entered into it, but when it comes here on the decision of the Secretary of War, this Court must indulge in the presumption that the law has been obeyed unless there is a showing to the contrary, and there is no showing to the contrary here that he did not take into consideration all of the elements which enter into reasonableness. The Court must take judicial notice of the regulations promulgated

by the Secretary of War on June 30, 1942 as reported in the Spaulding case. In the footnote No. 4 on August 10, 1942, paragraph 7, under the heading "Determination of Excessive Profits" it goes into a long and detailed analysis of the things that must be taken into consideration to determine whether or not they are reasonable, and as the Circuit Court says in effect it is using the same method by which the Interstate Commerce Commission determines whether or not rates are reasonable. Now, I must indulge the presumption that the Secretary of War before he made his order here took all of those things into consideration, every one of them. From the evidence here, he had access to all of the books and records of the defendant Sampson Motors, Inc. in this case, so he had all of their information that was shown by the books and records, and the presumption must be indulged in by me that whatever he did was [101] regular and proper.

As against that we have only the evidence here that that should be set aside because in the gathering of the information and in making the determination, this defendant here was deprived of his right to be heard.

In that connection I suppose I should say first that I regard counsel's statement that the section which made exclusive jurisdiction of The Tax Court is not effective and not applicable to this case, that under the 1942 Act the plaintiff could and should come into a court such as this to enforce this order and was shrouded with the presumptions which I have indicated; that the defendant, however, was not precluded or foreclosed from raising

the defense which he has raised, but on the facts that he has raised I cannot conclude that he was denied due process of law, that he was granted due process of law, that his books and records were made available, all of the information that he had was made available. There is no showing in this court that anything that he would have done could have been considered by a reasonable person to have made any difference in the conclusions which were reached. The fact that he saved money for the Government, the fact that he saved \$75,000 on one order I don't think could have affected the conclusion of a reasonable person in determining whether there were or were not excessive profits, particularly in view of the fact that as against the evidence in this case the presumption which I have indicated must prevail and which is the effect of the evidence and cannot be overcome [102] except by a stronger presumption, and there is no stronger presumption here, or by stronger evidence, and there is no stronger evidence in this case. I don't think I have the power in this case to grant judgment against Sampson Motors for the amount indicated. I do think that in view of the pleadings by Lockheed Aircraft and the state of facts as they exist that this Court would be bound to consider their answer as a petition for declaratory relief as to what their rights were as to who was entitled to the money, and for that reason I think that the judgment would have to be on that petition for declaratory relief and so regarded as such, that Lockheed does not have any right and that the money does belong to the Government and that the Gov-

ernment have judgment against Lockheed for \$17,000, the amount stipulated upon, and inasmuch as the \$30.20 is not withheld that the Government have judgment against defendant Sampson Motors for \$30.20 only, plus interest from whatever date it is.

Mr. Wright: Yes. That is the prayer of the complaint, Your Honor, for \$30.20.

The Court: It is?

Mr. Wright: Yes.

The Court: Well, I don't read prayers in complaints any more in view of the fact the Supreme Court says the prayer is not a part of the complaint.

Mr. Wright: Well, that is what we ask.

The Court: Judgment will have to be as indicated. Findings will be prepared accordingly and judgment by the plaintiff.

[Endorsed]: Filed Apr. 25, 1947. [103]

[Endorsed]: No. 11644. United States Circuit Court of Appeals for the Ninth Circuit. Sampson Motors, Inc., a corporation, Appellant. vs. United States of America, Appellee. Transcript of Record. Upon Appeal From the District Court of the United States for the Southern District of California, Central Division.

Filed June 3, 1947.

PAUL P. O'BRIEN,

Clerk of the United States Circuit Court of Appeals for the Ninth Circuit.

In the United States Circuit Court of Appeals
for the Ninth Circuit

No. 11644

UNITED STATES OF AMERICA,

Plaintiff and Respondent,

vs.

SAMPSON MOTORS, INC., a corporation,

Defendant and Appellant,

LOCKHEED AIRCRAFT CORPORATION, a corporation,

Defendant.

STATEMENT OF POINTS ON APPEAL AND
DESIGNATION OF RECORD.

To the Clerk of the Above Entitled Court:

The Appellant Sampson Motors, Inc., a corporation, hereby sets forth a statement of the points on which it intends to rely on the appeal and designates the parts of the record which it thinks necessary for the consideration thereof, to wit:

POINTS RAISED ON APPEAL

I.

Renegotiation Act of 1942 is unconstitutional.

II.

Unilateral determination of excess profits was void and beyond the jurisdiction of Secretary of War.

III.

Unilateral determination was arbitrary and without due process of law.

IV.

The unilateral determination by the Secretary of War has no weight as evidence, and the trial court erred in considering it as evidence.

V.

The burden of proving excess profits was on the plaintiff. The finding of excess profits is not supported by the evidence.

* * * * * * * *

Dated this 11th day of June, 1947.

ROBT. E. ROSSKOPF
Attorney for Appellant

[Affidavit of Service by Mail.]

[Endorsed]: Filed Jun. 13, 1947. Paul P. O'Brien,
Clerk.

No. 11644

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

SAMPSON MOTORS, INC., a corporation,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPELLANT'S OPENING BRIEF.

ROBT. E. ROSSKOPF,

1024 Citizens National Bank Building, Los Angeles 13.

Attorney for Appellant.

FILED

SEP - 3 1947

PAUL P. O'BRIEN,

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No. 11644

IN THE

United States Circuit Court of Appeals
FOR THE NINTH CIRCUIT

SAMPSON MOTORS, INC., a corporation,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPELLANT'S OPENING BRIEF.

Statement of Facts.

Appellant Sampson Motors, Inc., a corporation, appeals from a judgment of the District Court in favor of the United States, adjudging the United States to be entitled to the sum of \$17,543.08 held by Lockheed Aircraft Corporation, and a further judgment against appellant in the sum of \$32.61. The moneys held by Lockheed Aircraft Corporation were withheld by it from moneys due Sampson Motors, Inc. pursuant to withholding directions of the Secretary of War.

On July 31, 1944, the Under Secretary of War, purporting to act under the Renegotiation Act of 1942, made a unilateral determination that \$60,000.00 of profits realized by Sampson Motors, Inc. during its fiscal year ended June 30, 1942, under its contracts and subcontracts

subject to renegotiation, were excessive. [Tr. pp. 6-8, 49.] Appellant paid taxes upon its profits for said fiscal year and as a result of such tax payment was credited with \$42,823.67 against said \$60,000.00, leaving a balance claimed by the government in the sum of \$17,176.33. [Tr. p. 49.] The Secretary of War directed Lockheed Aircraft Corporation to withhold payments otherwise due appellant on other contracts, to secure the government's demand. Lockheed Aircraft Corporation withheld \$17,543.08. [Tr. p. 51.] The judgment of the District Court is based on the original claim, plus interest at 6% per annum from July 31, 1944 to November 2, 1945, using up all the funds withheld by Lockheed Aircraft Corporation and resulting in a deficiency of \$30.20 to which interest at 6% was added, resulting in the judgment against appellant for \$32.61. [Tr. p. 52.] Appellant claims title to the funds withheld by Lockheed Aircraft Corporation and denies the right of the government to any judgment against appellant. This action was instituted by the government against Lockheed Aircraft Corporation and appellant for the purpose of recovering the funds withheld and the deficiency.

There is little dispute concerning the facts leading up to the so-called unilateral determination of excess profits. A statement of said facts and issues was submitted to the trial court [Tr. p. 17] and filed by it. The government did not dispute the facts as therein set forth which are as follows:

Renegotiation was started about November 15, 1943, by Army Air Forces, Western Procurement District. Books and records of Sampson Motors were made available to Air Force auditors. Prior to any hearing Air Force officer verbally advised Sampson that he considered excess

profits for said fiscal year, prior to deduction for taxes, to be \$60,000.00. Following this verbal notification on May 24, 1944, the Air Forces advised Sampson by registered mail that it desired to avail Sampson,

“of the privilege of presenting to them any factors pertinent to the renegotiation of your fiscal year ended 30 November 1942, inasmuch as the settlement proposed to you has not been accepted by you.”

“The District Board has reserved the afternoon of Monday, 29 May 1944, to meet with you at District Headquarters, 3636 Beverly Boulevard, Los Angeles, California.”

The president of Sampson Motors, with his counsel, was present at said time and place but was refused the privilege of introducing any evidence to show price reduction and comparative prices; efficiency in reducing costs; economy in the use of raw materials; efficiency in the use of facilities in the conservation of manpower; character and extent of subcontracting; quality of production; rate of delivery and turnover; inventive and developmental contribution with respect to important war products. At said meeting the Army Air Force officers advised the Sampson representatives that it had secured all the information it desired for determining said excess profits and did not wish to receive any evidence from the contractor, but insisted that the contractor execute an agreement agreeing to a determination of excess profits in the sum of \$60,000.00, failing which the matter would be recommended to the Secretary of War for fixing of said amount. The contractor declined to execute such agreement but urged the right to introduce evidence concerning the figures above mentioned, which evidence was refused.

Thereafter on or about June 19, 1944, Sampson received a wire from the Chief, Renegotiation Branch of the War Department, Office of the Secretary, as follows:

“Renegotiation impasse your company with Army Air Forces referred to this Board. Understand there is no material disagreement as to reported facts and figures and inability reach agreement due solely to amount of proposed refund. Careful review and consideration reports covering case indicate settlement fair and equitable. Should you consider further hearing desirable with board representatives in Washington meeting can be arranged for ten A. M., 29 June 1944, Room 3D 573, The Pentagon. In event this date inconvenient please advise by telephone or telegraph your choice not later than ten days thereafter. If meeting not deemed necessary no alternative but to submit case to under secretary of war for determination. Please advise by 26 June SPRAR.”

At that time all transportation was on a strict priority basis making it virtually impossible to secure private transportation from Los Angeles to Washington, D. C. The court took judicial knowledge of this fact. [Tr. p. 71.] The urgency of the war program and the necessity for products being manufactured by the contractor was also such that absence from the business of Mr. Brett, the only person familiar with the matters involved in renegotiation, would have seriously impaired production of vital war materials. The contractor replied to the above wire on or about June 20, 1944, as follows:

“There is no impasse. No determination or basis of claim for refund or settlement ever been presented. Local Board refused to allow us to present facts under

Sec. 403 A (4) so it is impossible for you to have all facts.

“Attendance in Washington is unreasonable as it would stop our entire production of essential Aircraft Parts that I have agreed to manufacture.”

The contractor thereafter received a letter bearing date June 29, 1944, as follows:

“In accordance with our telegram to you of 19 June 1944, inasmuch as it has not been possible to work out an agreement as to the requested refund of \$60,000 excessive profits for the year ended 30 November 1942, we are recommending that this case be submitted to the Under Secretary of War for his consideration.”

Thereafter the contractor received letter bearing date July 31, 1944, from the Under Secretary of War enclosing a unilateral determination of excess profits to be \$60-000.00. The text of said letter was as follows:

“I have reviewed the data furnished by your company and the proceedings in connection with your 1942 renegotiation with the War Department Price Adjustment Board and have reached the conclusion that the proposal heretofore made to your company by the War Department Price Adjustment Board should be affirmed. I have therefore made a unilateral determination that \$60,000 of the prices and profits realized by Sampson Motors, Inc., during its fiscal year ended 30 November 1942, under its contracts and subcontracts subject to renegotiation pursuant to the

provisions of Section 403, are excessive. An executed original of such unilateral determination is inclosed herewith."

Thereafter the contractor received a letter bearing date September 16, 1944, from the office of the Under Secretary, War Department, advising that the Internal Revenue Agent at Los Angeles had computed the tax credit and that the contractor was entitled to a tax credit against said excess profits in the sum of \$42,823.67 and requesting payment by transmittal of the difference of \$17,176.33.

The contractor declined to transmit such difference, following which the Under Secretary of War directed Lockheed Aircraft Corporation to withhold payment to the contractor. The withholding directions to Lockheed were under date of October 12, 1944, instructing it to withhold \$9,000.00; on January 8, 1945, changing the amount to \$19,000.00; and on May 9, 1945, changing said amount to read \$17,543.08. Pursuant to these directions Lockheed withheld payment to the contractor of the various invoices and purchase orders in the total sum of \$17,556.54, which said amount it still holds.

Sampson had no prime contracts direct with the government but all of its war business was under purchase orders from prime and subcontractors. Some of said purchase orders contained the provision that "seller accepts this order subject, if applicable, to renegotiation pursuant to the provisions of Section 403, Sixth, Supplemental National Defense Appropriation Act of 1942." [Tr. pp. 17-21.]

ARGUMENT.

Appellant contends that the Renegotiation Act of 1942 is unconstitutional; that the unilateral determination of excess profits was void and beyond the jurisdiction of the Secretary of War; that the unilateral determination was arbitrary and without due process of law; that said unilateral determination has no weight as evidence and the trial court erred in considering it as evidence; and that the burden of proving excess profits was on the plaintiff, the finding of excess profits not being supported by the evidence; the judgment erroneously included interest.

I.

Renegotiation Act of 1942 Is Unconstitutional.

A. TEXT OF ACT.

The Act as originally enacted on April 28, 1942 (56 Stat. 245) provided (Sec. (a) (3)),

“The terms ‘renegotiate’ and ‘renegotiation’ include the refixing by the Secretary of the Department of the contract price.”

(Sec. (a) (4)) provided:

“The term ‘excess profits’ means any amount of a contract or subcontract price which is found as a result of renegotiation to represent excessive profits.”

The Act provided that in certain instances for contracts in excess of \$100,000.00 the Secretary should insert certain provisions for renegotiation. Appellant here was not a prime contractor and had no contracts within the Act in excess or even approaching \$100,000.00.

(Sec. (c) (1)) provided:

“Whenever, in the opinion of the Secretary of a Department, the profits realized or likely to be realized from any contract with such Department, may be excessive, the Secretary is authorized and directed to require the contractor or subcontractor to renegotiate the contract price.”

(Sec. (c) (2)) provided:

“Upon renegotiation, the Secretary is authorized and directed to eliminate any excessive profits under such contract or subcontract (i) by reductions in the contract price of the contract or subcontract, or by other revision in its terms; or (ii) by withholding, from amounts otherwise due the contractor or subcontractor, any amount of such excessive profits; or (iii) by directing a contractor to withhold for the account of the United States, from amounts otherwise due to the subcontractor, any amount of such excessive profits under the subcontract; or (iv) by recovery from the contractor or subcontractor, through repayment, credit or suit, of any amount of such excessive profits actually paid to him; or (iv) by any combination of these methods, as the Secretary deems desirable. The Secretary may bring actions on behalf of the United States in the appropriate courts of the United States to recover from such contractor or subcontractor, any amount of such excessive profits actually paid to him and not withheld or eliminated by some other method under this subsection.”

(Sec. (c) (4)) provided:

“Upon renegotiation pursuant to this section, the Secretary may make such final or other agreements with a contractor or subcontractor for the elimination of excessive profits and for the discharge of any lia-

bility for excessive profits under this section, as the Secretary deems desirable. Such agreements may cover such past and future period or periods, may apply to such contract or contracts of the contractor or subcontractor, and may contain such terms and conditions, as the Secretary deems advisable.”

The Act as enacted on April 28, 1942, was by its terms applicable to all contracts and subcontracts thereafter and theretofore made, whether or not they contained a renegotiation or recapture clause, unless final payment had been made prior to April 28, 1942.

By Act of October 21, 1942 (56 Stats. 982) certain amendments were made in immaterial respects.

B. UNLAWFUL DELEGATION OF AUTHORITY.

The Act as effective for the fiscal year of appellant ending November 30, 1942, as hereinabove quoted, gave the Secretary of War authority upon renegotiation, to eliminate “excessive profits” and defined “excessive profits” as any amount which was found as the result of renegotiation to represent excessive profits. It prescribed no standards which the secretary must follow, but the question of whether or not the secretary would renegotiate any contract was left entirely to “the opinion of the secretary.” It gave the secretary no authority to make a determination or take any other action except to negotiate and “upon renegotiation eliminate any excessive profits.” The methods provided for elimination of profits were (1) by reduction in the contract price or other revision of its terms; (2) by withholding the amount thereof from amounts otherwise due the contractor; (3) by directing a contractor to withhold for the account of the United States such

amounts otherwise due a subcontractor; (4) by recovery through repayment, credit or suit of any such amount, or, (5) by any combination of the first four methods. The secretary was authorized to bring actions in the appropriate courts of the United States to recover any amounts of excessive profits paid to the contractor and not withheld or eliminated by some other method.

The most that can be said for the Act is that the secretary may renegotiate, and recover amounts fixed by agreement reached. It certainly cannot be implied from the Act that the secretary may determine and fix the amount of excess profits.

In sharp contrast are provisions of the Act adopted February 25, 1944, resulting in the present wording of the Act.

Among these amendments were the following:

“Sec. (a) (3), The terms ‘renegotiate’ and ‘renegotiation’ include a *determination by agreement or order* under this section of the amount of any excessive profits.” (Italics added.)

Sec. (a) (4), (A) Redefines the term “excessive profits” to mean “the portion of the profits derived from contracts with the departments and subcontracts *which is determined in accordance with this section* to be excessive.” (Italics added.)

There then follows a list of factors which shall be taken into consideration in determining excessive profits, including efficiency, reasonableness of costs and profits and various other factors. Said section further defined the term

“Profits derived from contracts with the departments and subcontracts” to mean: “the excess of the

amount received or accrued over the costs paid or incurred with respect thereto." (Sec. (a) (4) (B).)

and provided a method for determining the proper costs to be allowed.

The above mentioned amendments were made effective only with respect to fiscal years ending after June 30, 1943.

Although the word "renegotiation" does not appear to have been judicially defined, we may assume its meaning to be to "negotiate again." The terms "negotiate" and "negotiation," as applied to contracts, have been variously defined as follows:

"to compromise; to effect something, or an effort to effect something, by treaty or agreement." (*Attrill v. Patterson*, 58 Md. 226.)

"traffic or conclusion by bargain or agreement." (*Everson v. General Accident etc. Corp.*, 202 Mass. 169)

"to conclude by bargain treaty or agreement." (*Morton v. Dubuque*, 287 Mass. 170.)

We do not question the sufficiency of the act as giving the Secretary authority to eliminate and recover excess profits *by agreement* with the contractor, after discussion to that end.

Such is the clear import of the language of the act.

However, any construction which implies the power in the Secretary to make a finding and final determination, over the objection of the contractor, is clearly outside and beyond the power granted by the act; and, without prescribing the limits of his authority or the norms for de-

termining the result, is a delegation of judicial and legislative functions contrary to the constitution.

Panama Refining Co. v. Ryan, 293 U. S. 388, and cases there cited.

It might more properly be said that the objection here made is not to the constitutionality of the act, but to the constitutionality of the construction placed upon it by the government and by the trial court.

The provision in Sec. (a) (3) of the act that the terms "negotiate" and "renegotiation" include the "refixing by the Secretary of the contract price," does not enlarge or extend the usual meaning of such terms. When considered with the rest of the act, it authorizes the secretary to agree upon a new contract price. In other words, he may negotiate to a conclusion which results in fixing a different price.

To constitute a proper delegation of power, the authority conferred must be within definite constitutional limits. As said by the Supreme Court in *Panama Refining v. Ryan*, 293 U. S. 388, 432, 79 L. Ed. 446, 465 (quoting from *Wichita R. & Light Co. v. Public Utilities Commission*, 260 U. S. 48, 59, 67 L. Ed. 124, 130):

"In creating such an administrative agency the legislature, to prevent its being a pure delegation of legislative power, must enjoin upon it a certain course of procedure and certain rules of decision in the performance of its function. It is a wholesome and necessary principle that such an agency must pursue the procedure and rule enjoined and show a substantial compliance therewith to give validity to its action. When, therefore, such an administrative agency is required as a condition precedent to an order, to make

a finding of facts, the validity of the order must rest upon the needed finding. If it is lacking, the order is ineffective. It is pressed on us that the lack of an express finding may be supplied by implication and by reference to the averments of the petition invoking the action of the Commission. We cannot agree to this.' ”

C. TAKING PROPERTY WITHOUT DUE PROCESS.

If the act be construed to authorize the Secretary to *take* any profits which in his opinion are excessive, it violates the due process clause of the Vth Amendment of the Constitution.

Hart v. Wiltsee, 19 F. (2d) 903;

U. S. Harness Co. v. Graham, 288 Fed. 929.

If the act be construed to authorize the Secretary to sue for and recover any profits which he considers excessive, this again violates the “due process” clause, because the only measure of “excessive profits” is the “opinion” of the Secretary.

One of the principle elements of due process is equal protection, and adherence to those established principles of justice which afford every man an opportunity to a fair trial. If the law, or the process, is discriminatory or capricious; or arbitrary, it does not meet these requirements.

St. Joseph Stock Yards v. United States, 298 U. S. 38;

Morgan v. United States, 398 U. S. 468.

A law which empowers the Secretary to assess citizens at random for such amount as in his opinion is “excessive,” is obviously not uniform or fair. Given identical circumstances and profits, the Secretary might under the law assess one citizen \$100,000 and excuse the other entirely.

In *Spaulding v. Douglas*, 154 F. (2d) 419, profits on gross sales of \$405,000 were reduced from 52% to 33%.

In this case, appellant had sales of \$283,351.11 and a profit before taxes of \$112,619.29 [Tr. p. 30] or approximately 39%. The Secretary seeks to eliminate \$60,000, reducing the profit on sales to 21 9/10%.

No basis or reason for the determination in either case can be ascertained, since the only ground for renegotiation and the only measure of “excessive profits” was the “opinion of the Secretary.”

The *recitation* in the so-called unilateral determination [Tr. p. 6] that certain factors were considered and that a full opportunity to be heard was afforded the appellant, cannot take the place of the lack of authority of the Secretary; and cannot breathe life into a void act.

Due process is a matter of substance, and its absence cannot be cured by a recitation that due process was afforded.

II.

**Unilateral Determination of Excess Profits Was Void,
and Beyond the Jurisdiction of the Secretary of
War.**

As earlier pointed out, the only authority of the Secretary under the act applicable here, was to eliminate excess profits by renegotiation. The act does not contain, either expressly or by implication, the authority to finally determine the amount of excess profits.

At most, the “unilateral determination” is an expression of the Secretary’s opinion that profits of appellant were excessive in the sum of \$60,000.

Such determination is unauthorized by the act, and can have no binding force on appellant.

To hold otherwise is to sanction government by decree; government of men, not of laws.

III.

Unilateral Determination Was Arbitrary and Without Due Process of Law.

The “unilateral determination” [Tr. p. 6] recites that renegotiations have taken place; that the Secretary considered certain data, “submitted by the Contractor or obtained from governmental or other reliable sources;” and “the Contractor has been granted full opportunity to submit such additional information and to present such contentions as the Contractor deemed material.”

What data the Secretary considered is not disclosed and appellant has never been able to ascertain.

The testimony of Riley J. Brett, president of appellant on this subject follows [Tr. p. 66]:

“Q. Was anything said concerning the method of arriving at the \$60,000 figure? A. We wrote him a letter asking for the method of determination, but we never had any answer.

Q. Did you ever receive any kind of a computation? A. I never did.

Q. Or a document showing how that was determined? A. We never did.

Q. Do you know how it was arrived at? A. I do not.”

And of Bertha Brett, secretary of appellant [Tr. p. 92]:

“Q. Did you ever endeavor to ascertain how that was arrived at? A. Yes, we asked him numerous times. I don’t have any copy of the telegram, but I know that Mr. Bromley repeatedly asked him where they got this. We wanted to know whether it was just straight figures that they had obtained the \$60,000 or whether it was penalty or what it was. I asked

him myself if there were any figures and I asked the auditors when they left if there were any figures that we would be able to obtain to see where they figured that we were excessive.

Q. What was their answer? A. Well, they would get around to it maybe, but that was their decision and they decided upon that, but that wasn't our affair."

The only hearing was one in Los Angeles, where the examiner refused to hear any evidence.

The hearing in Los Angeles was nothing except an effort by an army officer to bully appellant into an agreement that it had received \$60,000 excess profits. The happenings at said meeting are set forth in the testimony of Riley J. Brett [Tr. pp. 63-65], and Bertha Brett. [Tr. pp. 91-92.] This was in no sense a hearing, but rather a demand that appellant admit and agree to refund \$60,000 in excess profits. Appellant refused to sign such an agreement.

On June 19, 1944, appellant received a wire from the chief renegotiation branch, War Department as follows:

"Renegotiation impasse your company with Army Air Forces referred to this board. Understand there is no material disagreement as to reported facts and figures and inability reach agreement due solely to amount of proposed refund. Careful review and consideration reports covering case indicate settlement fair and equitable. Should you consider further hearing desirable with board representatives in Washington meeting can be arranged for ten A. M., 29 June 1944, Room 3D 573, The Pentagon. In event this date inconvenient please advise by telephone or telegraph your choice not later than ten

days thereafter. If meeting not deemed necessary no alternative but to submit case to Under Secretary of War for determination. Please advise by 26 June, SPRAR." [Tr. p. 19.]

Appellant answered this wire as follows:

"There is no impasse. No determination or basis of claim for refund or settlement ever been presented. Local Board refused to allow us to present facts under Sec. 403 A (4) (A) so it is impossible for you to have all facts.

"Attendance in Washington is unreasonable as it would stop our entire production of essential Aircraft Parts that I have agreed to manufacture." [Tr. p. 20].

This was followed by a wire from the War Department as follows:

"In accordance with our telegram to you of 19 June 1944, inasmuch as it has not been possible to work out an agreement as to the requested refund of \$60,000 excessive profits for the year ended 30 November 1942, we are recommending that this case be submitted to the Under Secretary of War for his consideration."

Without further notice and opportunity to be heard the so-called unilateral determination of July 31, 1944, was sent to appellant.

It is obvious that these proceedings did not constitute such due process as that contemplated by the constitution.

IV.

Unilateral Determination by the Secretary of War
Has No Weight as Evidence and the Trial Court
Erred in Considering It as Evidence.

The position of the trial court was that the determination by the Secretary of War carried with it the presumptions of proper authority and of due process; that this determination amounted to evidence establishing a *prima facie* case, and that the burden of proof was thereby cast upon appellant to show that the actions of the secretary were arbitrary and that the secretary should have arrived at a different result. The court concluded that this burden had not been sustained by appellant and that the order of the secretary was sufficient evidence upon which to base a judgment for the Government.

It is appellant's position that the order of the secretary had no evidentiary value whatsoever, and that the court erred in receiving such order into evidence and affording it any weight.

In the case of *The J. Duffy*, 14 F. (2d) 426, the court had for consideration the provisions of the Volstead Act which provided for confiscation of a vessel which had been used for the transportation of liquor. That statute attempted to place the burden of proof upon the claimant. The court there held the statute to be unconstitutional as a denial of due process.

The court said at page 429:

"If the true construction of that statute is that, in a suit to enforce a confiscation, the burden of proving his innocence lies upon the owner of the property sought to be confiscated, then I would have no hesitation in declaring that statute unconstitution-

al. To call such a suit dominated by such a procedural rule 'due process of law' is to delete all significance of the constitutional guaranty. In civil suits, the burden of proving his case by a 'fair preponderance of the evidence' lies on the plaintiff. In criminal actions the burden of proving the crime *beyond a reasonable doubt* lies on the state. Are we to understand that in suits aiming at confiscation the whole theory of our judicial procedure is reversed; that wholly irrespective of whether a libel has charged facts sufficient to constitute a cause of forfeiture, that wholly irrespective of whether a *prima facie* case has been presented or a case of probable cause, property stands confiscated to the government, unless the owner manages in some way to disprove something that has not even been charged or proven? The statute does not go to such lengths. It may well be that the burden of proof is shifted to the claimant when 'probable cause' has been sufficiently shown 'to be judged by the court.' I can conceive of no adequate showing of 'probable cause' short of a *prima facie* case. Indeed the intendment of the statute, as I read it, is merely to make such a *prima facie* case adequate to the purpose of confiscation, unless the claimant then assumes the burden of proof. In this interpretation of the statute I find myself in accord with the language of Judge Holt in *United States v. One Pearl Chain* (D.C.) 139 F. 510, as expressed by him at page 511."

In this case there is no statute purporting to shift the burden of proof to appellant. The action of the court in considering the unilateral determination of the secretary, and treating it as evidence constituting a *prima facie* case, finds no support in law and is contrary to all accepted concepts of justice.

V.

The Burden of Proving Excess Profits Was on the Plaintiff. The Finding of Excess Profits Is Not Supported by the Evidence.

As pointed out in the *Duffy* case above, in civil suits, the burden of proving his case by a preponderance of the evidence lies on the plaintiff. Applied to this case, in order to support such burden, it was incumbent upon the Government to establish that appellant received excess profits during the fiscal year ended November 30, 1942. Such evidence cannot be supplied by a statement of the Secretary of War that profits were excessive. To construe such declaration as having this effect, would be equivalent to a provision that the unsupported allegations of a petition might be considered as evidence of the facts therein recited, and that no evidence need be introduced to support such allegations.

The Government made no effort to introduce evidence tending to show that appellant's profits were excessive, but relied entirely upon the statement of the Secretary of War to that effect. Said statement was not authorized by the act, as applicable to appellant, and cannot be treated as evidence of excess profits.

It is appellant's position here that if a suit for the recovery of excess profits does lie, the burden is upon plaintiff to allege and prove that defendant received excess profits which are recoverable by the Government.

VI.

Interest Was Improperly Allowed.

The judgment included interest at 6% on \$17,176.33 from July 31, 1944. [Tr. p. 44].

There is no provision in the Renegotiation Act of 1942, or other provision of law for the allowance of interest.

In the absence of statutory authority, no interest may be allowed.

Perkins v. Fourniquet, 55 U. S. 328;

Washington v. Harmon, 147 U. S. 571;

U. S. v. Verdier, 164 U. S. 213.

Conclusion.

It is respectfully submitted that the Renegotiation Act of 1942 is unconstitutional in that it makes an unlawful delegation of authority; and that it takes property without due process of law. That the unilateral determination by the Secretary of War was beyond the jurisdiction conferred upon him by the act; that the same was arbitrary and without due process of law; that the same was erroneously received in evidence by the court. The burden of proving excess profits, in order to entitle the Government to recover the same, was upon the Government.

It is respectfully submitted that the judgment should be reversed and the trial court should be directed to enter judgment in favor of appellant for the moneys which were withheld by Lockheed Aircraft Corporation, but which have now been paid into court.

ROBT. E. ROSSKOPF,

Attorney for Appellant.

No. 11644

IN THE
United States Circuit Court of Appeals
FOR THE NINTH CIRCUIT

SAMPSON MOTORS, INC., a corporation,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

BRIEF OF APPELLEE.

JAMES M. CARTER,

United States Attorney;

RONALD WALKER,

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No. 11644

IN THE

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SAMPSON MOTORS, INC., a corporation,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

BRIEF OF APPELLEE.

Jurisdictional Statement.

Appellee filed its complaint against Sampson Motors, Inc. and Lockheed Aircraft Corporation, wherein appellee prayed judgment against Sampson Motors, Inc. in the amount of thirty dollars and twenty cents plus interest at the rate of six per cent per annum from November 2, 1945, which amount was alleged to be the balance due the United States pursuant to a unilateral order signed by the Undersecretary of War determining and fixing the amount of excessive profits realized by the contractor during its fiscal year ended November 30, 1942 in the amount of sixty thousand and no/100 dollars (\$60,000.00), less the applicable tax credit to which Sampson Motors, Inc. is entitled under Section 3806 of the In-

ternal Revenue Code in the amount of forty-two thousand eight hundred twenty-three and 67/100 dollars (\$42,823.67). The complaint prays judgment against Lockheed Aircraft Corporation requiring that it render an account of all moneys that have become due from it to Sampson Motors, Inc. since its receipt of withholding orders alleged to have been issued and that upon said account being stated, defendant Lockheed Aircraft Corporation be required to pay to the plaintiff the amount which it was required by the terms of said withholding orders to withhold for the use of the the United States. After a trial on the merits judgment was entered against Sampson Motors, Inc. in the amount of thirty-two and 61/100 dollars (\$32.61), which amount includes interest on the amount claimed to be due from Sampson Motors, Inc. at the rate of six per cent per annum from November 2, 1945. Judgment was entered in favor of the United States against Lockheed Aircraft Corporation in the sum of seventeen thousand five hundred forty-three and 8/100 dollars (\$17,543.08). Lockheed did not appeal.

Jurisdiction of the District Court is established by Section 24 of the Judicial Code as amended (28 U. S. C. 41), and by the provisions of Section 403(c) of the Re-negotiation Act. Jurisdiction of this court is established by the provisions of 28 U. S. C. 225.

Statement of the Case.

Pursuant to renegotiation, the Undersecretary of War, on July 31, 1944, entered an order determining the amount of excessive profits realized by defendant Sampson Motors, Inc. during its fiscal year ended November 30, 1942, in the amount of sixty thousand dollars (\$60,000.00). [R. 49.] It was stipulated at the trial that Lockheed, in compliance with withholding orders issued to it by the Undersecretary of War, had withheld from amounts otherwise due Sampson Motors, Inc. for the use of the United States, the sum of seventeen thousand five hundred forty-three and 8/100 dollars (\$17,543.08); that appellant Sampson Motors, Inc. had not petitioned the Tax Court of the United States for a redetermination of the amount of excessive profits received by it, as provided by Section 403(e) of the Renegotiation Act, and that the period for filing such petition had expired; that the amount of the tax credit to which Sampson Motors, Inc. is entitled under Section 3806 of the Internal Revenue Code is forty-two thousand eight hundred twenty-three and 67/100 dollars (\$42,823.67) [R. 49-51]; and finally, it was stipulated that if the court should decide the United States is entitled to judgment, the amount of the judgment against Lockheed Aircraft Corporation would be seventeen thousand five hundred forty-three and 8/100 dollars (\$17,543.08), and the amount of the judgment against Sampson Motors, Inc. would be thirty and 20/100 dollars (\$30.20) plus interest at the rate of six per cent per annum from November 2, 1945. [R. 52, 53.]

Summary of Argument.

I.

The Renegotiation Act is constitutional.

II.

The 1942 Act provides for unilateral determination by the Secretary.

III.

Administrative due process may not be considered here. That question is exclusively for the Tax Court.

IV.

The Tax Court has exclusive jurisdiction to finally determine the amount, if any, of excessive profits. In the absence of an application to the Tax Court the determination of the Secretary is final as to the amount.

V.

Interest is allowable as the proper measure for damages for delay in payment.

ARGUMENT.

I.

The Renegotiation Act Is Constitutional.

Appellant's arguments as to the unconstitutionality of the Act constitute a sketchy rehash of points already raised and emphatically overruled by this court in the cases of *Spaulding et al. v. Douglas Aircraft Company, et al.*, 154 F. (2d) 419, and *United States v. Pownall*, 159 F. (2d) 73. The *Spaulding* case and the *Pownall* case were followed in the First and Sixth Circuits in the cases of *Lichter v. U. S.*, 160 F. (2d) 329, and *Alexander Wool Combing Co. v. U. S.*, 160 F. (2d) 103.

II.

The 1942 Act Provides for Unilateral Determination by the Secretary.

Appellant contends that the amendments introduced by the Act of February 25, 1944 (Public Law 235, 78th Cong., 2d Sess.) are effective only with respect to the fiscal years ending after June 30, 1943; and that since the fiscal year here involved ended November 30, 1942, the Secretary lacked authority under the law applicable to renegotiation for the fiscal year in question, to enter a unilateral order determining the amount of excessive profits. This contention presents a question of legislative intent.

By the Act of February 25, 1944 (Public Law 235, 78th Cong., 2d Sess.) (50 App. U. S. C. 1191[e][2]). Congress specifically authorized Tax Court redetermination of unilateral orders of the Secretary made prior to the date of the enactment of said Act. Since Congress authorized review of such orders it must have contem-

plated their issuance. Furthermore, the intent that the Secretary have power to enter a unilateral order determining the amount of excessive profits is made evident upon a consideration of the language of the Act prior to its amendment, in view of the policy and purpose of the Act. It would be idle to establish a system for the recapture of excessive profits, and for the determination of the amount thereof by administrative action, with the intent that the administrative power of the administrative agency be limited to the power to enter into agreements fixing the amount. Such an arrangement would be utterly ineffective if the contractor or subcontractor should refuse to agree.

Without regard to the merits of this contention, it is one which should have been presented to the Tax Court. *Lichter v. U. S.*, 160 F. (2d) 329, 331.

III.

Administrative Due Process May Not Be Considered Here. That Question Is Exclusively for the Tax Court.

Appellant contends that the renegotiation officers did not grant it due process, in that they refused to hear its evidence, refused to reveal their method of computation, and did not give Mr. Brett time enough to go to a hearing in Washington. If it be assumed for the purpose of argument that all these contentions are true, the fact remains that the appellant could have secured due process by petitioning the Tax Court, and having failed to do so, it cannot urge that contention here. *Spaulding v. Douglas, etc. et al.*, 154 F. (2d) 419; *Utléy v. St. Petersburg*, 292 U. S. 106, 109; *Lichter v. U. S.*, 160 F. (2d) 329, 331.

IV.

The Tax Court Has Exclusive Jurisdiction to Finally Determine the Amount, if Any, of Excessive Profits. In the Absence of an Application to the Tax Court the Determination of the Secretary Is Final as to the Amount.

Sub-section (e)(1) of the Act provides:

“Upon such filing such court (the Tax Court) shall have exclusive jurisdiction, by order, to finally determine the amount, if any, of such excessive profits received or accrued by the contractor or sub-contractor, and such determination shall not be reviewed or redetermined by any court or agency.”

Sub-section (e)(2) contains the same provision with reference to the administrative determinations made prior to the enactment of the Revenue Act of 1943 (Act of February 25, 1944). The constitutional validity of this provision is sustained by the decisions in the *Spaulding*, *Pownall*, *Lichter* and *Alexander* cases and the principle under discussion was applied in *Macauley v. Waterman S. S. Corp.*, 327 U. S. 540, 544. The failure of appellant to petition the Tax Court for a redetermination constitutes an election to abide the Secretary's determination as to the amount. *Lichter v. U. S.*, 160 F. (2d) 329, 331.

V.

Interest Is Allowable as the Proper Measure of Damages for Delay in Payment.

Appellant contends that no interest is allowable on the amount found by renegotiation to be due the United States in the absence of a statutory provision for interest. This precise question was considered by the court for the Southern District of Virginia in the case of *United States v. Strontium Products Company*, 68 Fed. Supp. 886, in which case the court held that interest should be allowed.

When the creditor suing for interest is the United States Government, the question whether interest runs is not controlled by the local rule, statutory or common law, but is a federal question. *Royal Indemnity Company v. United States*, 313 U. S. 289.

In *Billings v. United States*, 232 U. S. 261, the Supreme Court faced the question whether interest ran on unpaid taxes even though the tax statute did not so provide. On pages 284-288 of the opinion will be found an extensive review of the authorities and it was held that interest did run. The court said, page 286:

“Thus, as to the necessity for a statute, it was long ago here decided in view of the true conception of interest, that a statute was not necessary to compel its payment where, in accordance with the principles of equity and justice in the enforcement of an obligation, interest should be allowed. *Young v. Godbe*, 15 Wallace 562-565: * * *

And the decisions of this court have often since exemplified the principle by considering the question of the responsibility for interest from the point of

view of reason and justice, even though no express statute existed for compelling its payment. So also as to the nature and character of the obligation to pay taxes.”

Perhaps an even closer analogy than that of tax liability can be found in the assessment by the Comptroller of the Currency of “double liability” upon stockholders in a national bank. Such liability, like that in renegotiation, is not penal, tortious or a tax. It is, in a broad sense, contractual, but the liability arises and the amount thereof is fixed by the unilateral action of a federal official. The stockholders’ consent to an assessment is not required. The leading case on stockholders’ liability is *Casey v. Galli*, 94 U. S. 673, where the Supreme Court said, page 677:

“The sums to be paid being liquidated and due and payable when the Comptroller’s order is made, it follows that the amount bears interest from the date of the order, otherwise there would be no motive to pay promptly and no equality between those who should pay then and those who should pay at the end of a protracted litigation.”

If Congress has the power to pass the Renegotiation Act, then it also has the power to provide specifically for awards thereunder. It did not do so specifically but such an intent may be gathered from a study of the entire statute, its words and its avowed purpose.

It was clearly the purpose of Congress to hasten collection, thus Section 403(c) authorizes the Government to proceed (A) by reductions in the amounts otherwise payable to the contractor under contracts with the departments, or by other revision of their terms; (B) by with-

holding from amounts otherwise due to the contractor any amount of such excessive profits; (C) by directing a contractor to withhold for the account of the United States, from amounts otherwise due to a subcontractor, any amount of such excessive profits of such subcontract; (D) by recovery from the contractor, through repayment, credit, or suit, any amount of such excessive profits actually paid to him; or (E) by any combination of these methods as is deemed desirable. An arsenal of weapons is thus provided to speed recovery. Section 403(e) authorizes redetermination in the Tax Court but specifies that pendency of such Tax Court proceedings "shall not operate to stay the execution of the order of the board." Finally it is to be noted that Congress has been voting annual appropriations to refund collections of excessive profits whenever it may be ultimately adjudged that too much was collected. Public Law 40, 79th Cong., 1st Sess. Public Law 521, 79th Cong., 2d Sess. Obviously Congress intends that the money be brought into the Treasury promptly to avoid the danger that it may be dissipated and if in the haste, too much is collected, the excess will be refunded.

Since it is the statutory policy to hasten payment it would be contrary to the whole pattern of the Act not to charge interest to a contractor who refuses to pay and retains the use of his money until sued, while other contractors who complied with the spirit of the Act and paid promptly, simply lose the use of their money for cooperation in the war effort.

The subcontracts here involved were entered into and performed in the State of California where the legal rate of interest is 7%. The regulations adopted pursuant to

the Renegotiation Act provide for interest at the rate of six per cent. (See *U. S. v. Strontium Products Company*, 68 Fed. Supp. 886, 888.) While, as has been shown, the question is a federal question and, as pointed out in the *Strontium* case, it is doubtful that the regulation is binding upon the court, nevertheless, as the court in that case said, "It (the regulation) is persuasive and worthy of substantial consideration." In this case interest on the small amount remaining due from appellant at the rate of six per cent per annum was allowed, and it is submitted that this is a reasonable measure of damage for delay in payment.

Respectfully submitted,

JAMES M. CARTER,
United States Attorney;

RONALD WALKER,
Assistant U. S. Attorney,

ROBERT E. WRIGHT,
Assistant U. S. Attorney,
Attorneys for Appellee.

No. 11644.

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

SAMPSON MOTORS, INC., a corporation,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPELLANT'S REPLY BRIEF.

ROBT. E. ROSSKOPF,

1024 Citizens National Bank Building, Los Angeles 13,

Attorney for Appellant.

FILED

OCT 10 1947

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No. 11644.

IN THE

United States Circuit Court of Appeals
FOR THE NINTH CIRCUIT

SAMPSON MOTORS, INC., a corporation,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPELLANT'S REPLY BRIEF.

Appellee has taken no exceptions to the statement of facts in Appellant's Opening Brief.

The Statement of the Case contained on page 3 of Appellee's brief, reciting that Appellant had stipulated the amount of any judgment which might be rendered, is erroneous. The stipulation appears in Transcript pages 51-54 and is summarized (as to amount) by the statement of Appellant's counsel, on page 54, as follows:

"Mr. Rosskopf: That is correct. We do not stipulate that that is excess profits or that any part of the amount of money herein involved is excess profits. We do stipulate that if the Court should determine that \$60,000 was excess profits the allowance of the tax credit would leave a net balance of \$17,-176.33. In other words, we stipulate to the arithmetic, if I may put it that way, but *we do not stipulate there is any amount due or that there was any excess profits.*"

ARGUMENT.

I.

Renegotiation Act of 1942 Is Unconstitutional.

Appellee cites the cases of *Spaulding v. Douglas*, 154 F. (2d) 419; *United States v. Pownall*, 159 F. (2d) 73; *Lichter v. U. S.*, 160 F. (2d) 329 and *Alexander v. U. S.* 160 F. (2d) 103 as having already settled all arguments presented in this case.

In the *Spaulding v. Douglas* (154 F. (2d) 419) case, the contractor whose moneys were withheld, took affirmative action to recover the same, alleging they were wrongfully withheld. The burden of proof was there upon the contractor to establish the invalidity of the withholding order; and to prove the prior exhaustion of administrative remedies afforded by the act. The contractor there failed to sustain this burden.

In the case at bar, the contractor took no affirmative action to recover the moneys withheld. The action was instituted by Appellee to recover said moneys. The burden was upon the United States to establish its title to the funds; Appellant was under no compulsion to take an appeal to the Tax Court. This appeal, afforded by the 1943 Amendment to the act was *permissive only*, and provided in Sec. e(2) (50 F. C. A. Apps. 31):

“* * * any such contractor or subcontractor aggrieved by a determination of the Secretary made on or after the date of the enactment of the Revenue Act of 1943, with respect to any such fiscal year, (ending before July 1, 1943) as to the existence of excess profits, which is not embodied in an agreement with the contractor or subcontractor, *may*, within ninety days * * * after the date of such deter-

mination, file a petition with the Tax Court of the United States for a redetermination thereof. *Upon such filing* such court shall have the same jurisdiction, powers, and duties, and the proceeding shall be subject to the same provisions, as in the case of a petition filed with the court under paragraph (1), except that the amendments made to this section by the Revenue Act of 1943 which are not made applicable as of April 28, 1942, or to fiscal years ending before July 1, 1943, shall not apply.” (Italics added.)

Appellant, not seeking affirmative relief, was not required to appeal to the Tax Court, but might have done so if it wished. This was the ruling of the trial court. [Tr. p. 57.]

In the case of *United States v. Pownall*, 159 F. (2d) 73, the renegotiation was under the act as amended by the Revenue Act of 1943 (Adopted Feb. 25, 1944) effective for fiscal years ending after June 30, 1943. In the *Pownall* case, the period involved was the “fiscal year ending December 31, 1943.” (159 F. (2d) 73.)

In the case at bar, the period involved is the fiscal year ending November 30, 1942, which is governed by the original act, and not by the act as amended in 1944.

The case of *Lichter v. U. S.*, 160 F. (2d) 329 would appear to be almost identical with the case at bar. The Sixth Circuit there held that a contractor, though seeking no affirmative relief, was precluded from raising any except constitutional questions, by reason of not having appealed to the Tax Court. The court there states, concerning test of excessive profits:

“The present statute is not without such tests, for Sec. 701(b) Act Feb. 25, 1944, requires, in determining excessive profits, that consideration be given.”

then sets out the various standards adopted in 1944, as incorporated in section (a) (4) (A) of the act. (160 F. (2d) 332.)

But the 1944 Act (sec. 701(b)) which adopted these standards, specifically provided that such section "*shall be effective only with respect to the fiscal years ending after June 30, 1943.*" (50 U. S. C. A. App. 1191, historical note.) (Italics added.)

It is apparent that the court in the *Lichter* case, in giving retroactive effect to said amendment, overlooked the above-quoted language of the act.

We also urge that the conclusion of the Sixth Circuit in the *Lichter* case is erroneous, wherein said court holds that an appeal to the Tax Court is mandatory, if the contractor would preserve his rights to claim his moneys. The discussion of the Court in the *Lichter* case (pp. 330-331) clearly shows the reasoning, but we believe resulted in the wrong conclusion. We urge this court to determine this question for itself, by consideration of the language of Section e(2), in contrast with Section 403(c) which *requires* an appeal to the Tax Court, but which is effective only for fiscal years ending after June 30, 1943. (Sec. 403(c)(6).)

The "day in court" of a litigant should not be denied by implication contrary to the literal meaning of the statute. Any ambiguity should be resolved to protect his rights, rather than to abrogate them. The interpretation in the *Lichter* case sanctions a trap. The appeal to the

Tax Court was added in 1944 (as to fiscal years ending before July 1, 1943), and by its terms was permissive. By the same statute, the appeal was added as to fiscal years ending after June 30, 1943 (Sec. (e) (1)) and *as to the latter section only*, it was provided that if such appeal were not taken,

“such order shall be final and conclusive, and shall not be subject to review or redetermination by any court or other agency * * *.”

By clear statutory language, a penalty is imposed in one case and not the other. Appellant relied on this language and did not take the permissive appeal. It should not now be subjected to the penalty which under the statute clearly did not apply to its case.

The case of *U. S. v. Alexander*, 66 Fed. Supp. 389 (Certiorari denied, 160 F. (2d) 103), is based on the same fallacious reasoning as the *Lichter* case. The contractor is denied the right to raise the questions because of having failed to take an appeal which under the statute he was not required to take. Long after his right of appeal to the Tax Court has expired, a strained construction is placed upon the statute, and he is told that because of his failure to have reached the same strained conclusion, all rights have been cut off. The trap has been sprung, and the contractor has been subjected to a penalty of which he could not reasonably have been aware.

II.

Unilateral Determination Was Void.

As pointed out in Appellant's Opening Brief (p. 15) the Renegotiation Act, as applicable to Appellant's fiscal year ending November 30, 1942, contains no provision for a unilateral determination by the Secretary.

Appellee says such authority should be implied, because the power to negotiate without the power to force his will on the contractor "would be utterly ineffective if the contractor or subcontractor should refuse to agree." (Appellee's Brief, p. 6.)

Appellee also urges that since an appeal from any determination was supplied by the amendment of 1944, this implies authority to make the determination under the law existing before the amendment.

The fallacy of these arguments is self-evident. If the power is not furnished by the statute, it is not implied because it might be more desirable (from the Secretary's standpoint); or by implication from the wording of a later amendment.

III.

There Was No Due Process.

Appellee virtually concedes that Appellant was not afforded due process in the action by the Secretary, but claims that Appellant may not raise the question here. This point has been covered in the previous discussion, and need not be repeated.

A consideration of the matter upon the principles of simple justice should entitle Appellant to a proper hearing.

IV.

**The Determination of the Secretary Was Erroneously
Considered as Evidence.**

No evidence of the action of the Secretary was offered except the Unilateral Determination. The Court received this and treated it as proving the facts recited therein. By a self-serving writing, the burden of proof was shifted to Appellant. The Act applicable here does not even provide for the "Unilateral Determination"; much less that it shall be evidence of the truth of the recitals therein.

V.

Burden Was on the Government.

As in any civil case, the burden of proof was on the plaintiff. Can it sustain this burden by an unauthorized writing which says the government is entitled to recover?

This does not necessarily question the right of the government to recover excess profits in a proper case. However, in order to recover them, they must exist. It is the existence of excess profits which must be determined. This cannot be done by executive decree, but must be done in a proper forum, based upon competent evidence. The act applicable to Appellant authorized a suit in the District Court for that purpose; but did not authorize the Court to accept as evidence, the declaration of the Secretary that such profits exist in a stated amount. At most, it authorized the Court to determine the fact and amount upon proper evidence. No such evidence was introduced.

VI.

Interest Was Improperly Allowed.

As conceded by Appellee, interest is only recoverable when allowed by law. (*Royal Indemnity v. U. S.*, 313 U. S. 289.)

There is no provision in the Renegotiation Act for its allowance.

Conclusion.

The judgment should be reversed. The Renegotiation Act, as applicable to fiscal year ending November 30, 1942, is unconstitutional for the reasons stated.

Should the Act be held constitutional, a proper interpretation of it requires that the question of excess profits be determined by the trial court, upon competent evidence, and the case should be remanded for such purpose.

Respectfully submitted,

ROBT. E. ROSSKOPF,

Attorney for Appellant.

Nos. 11648-11649

United States
Court of Appeals
for the Ninth Circuit

E. L. EASON, JR.,

Appellee,

vs.

UNITED STATES OF AMERICA,

Appellee.

and

E. L. EASON, JR., FLORA RUTH EASON and
LEWIS C. EASON, as Trustee of the Estate of
Mildred Eason Stouffer, co-partners doing busi-
ness as Eason Grinding Company,

Appellants,

vs.

UNITED STATES OF AMERICA,

Appellee.

Transcript of Record

Appeal from the United States District Court
for the Southern District of California
Central Division

FILED
NOV 23 1948

No. 11648

United States
Court of Appeals
for the Ninth Circuit

E. L. EASON, JR.,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

Transcript of Record

Appeal from the United States District Court
for the Southern District of California
Central Division

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* Page numbering appearing at foot of page of original certified Transcript of Record.

In the District Court of the United States In and
For the Southern District of California, Central Division.

No. 5032-M

UNITED STATES OF AMERICA,

Plaintiff,

vs.

E. L. EASON, Jr.,

Defendant.

COMPLAINT

The United States of America, plaintiff, by Charles H. Carr, its attorney for the Southern District Court of California, says that:

1. Defendant E. L. Eason, Jr., resides and does business in the City of Los Angeles, California.

2. Jurisdiction of this action is granted to the Court by the provisions of Section 24 of the Judicial Code as amended (28 U.S.C.A. 41 (1)) and by the provisions of Section 403(c) of the Renegotiation Act.

3. After due notice to defendant, proceedings for the renegotiation of defendant's contracts and subcontracts were had and conducted by representatives of the Secretary of War. Thereafter, and on the 11th day of August 1944, the [2] Under Secretary of War, acting under and by virtue of the Renegotiation Act and pursuant to authority delegated to him, duly determined, in accordance

with law, that of the profits realized by defendant during the fiscal period of eleven months ending November 30, 1942, on his contracts and subcontracts subject to renegotiation, Thirty-three Thousand Nine Hundred Twenty Dollars (\$33,920.00) were excessive profits. Demand was made upon the defendant for payment to the United States of such excessive profits less the appropriate tax credit, if any. A full, true and correct copy of the order and determination of the Under Secretary of War is attached hereto as Exhibit "A" and by this reference made a part hereof.

4. The tax credit to which defendant is entitled under Section 3806 of the Internal Revenue Code is in the amount of Six Thousand Seventy-three Dollars and Forty-three Cents (\$6,073.43). This tax credit is computed upon the assumption that the profits determined to be excessive were returned as income by defendant for tax purposes and that the appropriate taxes have been or will be paid upon such profits.

5. Defendant has not petitioned the Tax Court of the United States for a redetermination of the amount of excessive profits received by him as provided by Section 403(e) of the Renegotiation Act and the period for filing such a petition has expired.

6. Defendant has not paid the United States and the United States has not withheld or by any other method eliminated said excessive profits in the amount of Thirty-three Thousand Nine Hundred Twenty Dollars (\$33,920.00), less the tax cred-

it aforesaid, nor any part thereof. Such amount is now due, owing, and unpaid.

Wherefore, plaintiff prays judgment against defendant in the sum of Twenty-seven Thousand Eight Hundred Forty-six Dollars [3] and Fifty-seven Cents (\$27,846.57), with interest at the rate of six (6) per cent per annum from August 11, 1944, and costs.

CHARLES H. CARR,
United States Attorney,
RONALD WALKER,
Assistant U. S. Attorney,

/s/ ROBERT E. WRIGHT,
Assistant U. S. Attorney,
Attorneys for Plaintiff.

EXHIBIT "A"

War Department
Office of the Under Secretary
Washington

DETERMINATION OF EXCESSIVE PROFITS

Pursuant to Section 403 of the Sixth Supplemental National Defense Appropriation Act, 1942, as amended, which term refers to said Act as last amended 14 July 1943 and as affected by Title VII of the Revenue Act of 1943 so far as applicable.

Whereas, E. L. Eason, Jr., an individual doing business as Eason Grinding Company (hereinafter referred to as the Contractor), holds contracts and subcontracts subject to renegotiation pursuant to the provisions of Section 403 of the Sixth Supplemental National Defense Appropriation Act, 1942, as amended (hereinafter referred to as the Act); and

Whereas, renegotiation has taken place between the Under Secretary of War and the Contractor, pursuant to the provisions of the Act, for the purpose of eliminating excessive profits realized by the Contractor during his eleven months ending 30 November 1942, under said contracts and subcontracts; and

Whereas, as a basis for said renegotiation the Under Secretary of War considered certain financial, operating and other data, submitted by the Contractor or obtained by the Under Secretary of War from governmental or other reliable sources, relating to the profits realized by the Contractor during said fiscal year under said contracts and subcontracts; and

Whereas, the Contractor has been granted full opportunity to submit such additional information and to present such contentions as the Contractor deemed material in determining the excessiveness of said profits and the renegotiability of such contracts and subcontracts, at hearings of which due notice was given, and due consideration has been given to the financial, operating and other data

and information so furnished or obtained and each of the contentions so presented;

Now, Therefore, pursuant to the authority and discretion vested in the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, the Chairman of the Maritime Commission, the Administrator of the War Shipping Administration, and the respective Boards of Directors of the Defense Plant Corporation, Metals Reserve Company, Defense Supplies Corporation and Rubber Reserve Company under the provisions of the Act, and duly delegated to the Under Secretary of War under subsection (f) thereof, it is hereby found and determined:

That \$33,920 of the profits realized by the Contractor during his eleven months ending 30 November 1942, under its contracts and subcontracts subject to renegotiation pursuant to the provisions of the Act, are excessive.

That in connection with the payment or discharge by any means of the amount of excessive profits determined hereby to have been realized by the Contractor, the Contractor shall be credited with any amount to which he may be entitled under Section 3806 of the Internal Revenue Code as computed by the Commissioner of Internal Revenue.

That the Contractor is directed to repay such excessive profits less such tax credit, if any, to the Treasurer of the United States.

That the excessive profits so found and determined shall be eliminated by any of the methods

provided in the Act or any combination thereof; and the Commanding General, Army Service Forces, and the Commanding General, Army Air Forces, are hereby authorized and directed to take any and all action which may be necessary or desirable to effect such elimination.

11 August, 1944.

/s/ ROBERT A. LOVETT,
ROBERT P. PATTERSON,
for: Under Secretary of War.

[Endorsed]: Filed Jan. 3, 1946. [4]

[Title of District Court and Cause.]

ANSWER

Comes now the defendant above named and in answer to the complaint of plaintiff on file herein, denies and alleges as follows, to wit:

First Defense

The complaint fails to state a claim against defendant upon which relief can be granted.

Second Defense

That said order of August 11, 1944, is void; that neither said Secretary of War nor said Under Secretary of War had the power or authority to make said order and are without power or authority to enforce said order according to its terms or otherwise or at all for the reason that said Renegotiation Act is void, without lawful effect and repugnant to the Constitution [6] of the

United States in each of the following particulars, to wit:

1. Said Renegotiation Act is repugnant to Article I, section 1, and Article II, section 8, paragraph 18 of the Constitution of the United States in that it unlawfully delegates legislative power to the defendants and to the secretaries of the various departments as in said Act set forth;

2. That said Renegotiation Act is repugnant to the Fifth Amendment to the Constitution of the United States in that it deprives plaintiffs of their property without due process of law;

3. That said Renegotiation Act is repugnant to the Fifth Amendment to the Constitution of the United States in that it takes plaintiffs' property for public use without just or any compensation;

4. That said Renegotiation Act is repugnant to the Tenth Amendment to the Constitution of the United States in that it attempts to exercise a power not delegated to the United States;

5. That said Renegotiation Act is repugnant to Article I, section 1, and Article I, section 8, paragraph 18, of the Constitution of the United States and to the Fifth and Tenth Amendments thereto, in that by said Act it is provided that "whenever, in the opinion of the secretary of a department (including the Secretary of War) the profits realized or likely to be realized from any contract with said department or from any subcontract thereunder, whether or not made by the contractor, may be excessive, the Secretary is authorized and directed to require the contractor or subcontractor

to renegotiate the contract price'', and that upon said renegotiation "the Secretary is authorized and directed to eliminate any excessive profits under such contract or subcontract" and neither said Renegotiation Act nor any other provision of law sets forth or declares any rules, standard, guide or policy by which said Secretary is to be guided in the administration [7] of said Act or in the determination of what are or are not excessive profits other than the arbitrary order, whim or caprice of said Secretary; that by said Act Congress has attempted to delegate to the Secretary the power to refix contract prices and has directed, authorized and empowered him, by unguided opinion and without setting forth any standard, gauge or rule, to determine what profits are excessive;

6. That said Renegotiation Act further violates said foregoing provisions of the Constitution and the Fifth and Tenth Amendments thereto in that it purports to vest in the Secretary the power to renegotiate contracts made and entered into between private persons, firms and corporations and to which contracts the government of the United States is not a party, and in instances where no privity of contract exists between the contractor or subcontractor and the United States;

7. That said Renegotiation Act is further repugnant to said Articles of the Constitution of the United States and to said Fifth and Tenth Amendments thereto, in that it provides that upon any negotiation conducted and made and upon any order entered pursuant thereto by the Secretary, said

Secretary may make a revision of said contracts renegotiated by reducing the contract price of said contract, but said Renegotiation Act contains no provision whereby the contractor can have his contract price raised in the event that such contract price did not produce a fair profit on the business done under said contract or any profit at all;

8. That said Renegotiation Act is further repugnant to said Articles of the Constitution and to said Fifth and Tenth Amendments thereto in that it does not provide for any equality of treatment as to all persons, firms or corporations whose contracts are made subject to the provisions of said Act, in the following [8] particulars, to wit:

(a) That by the provisions of said Act the Secretary is authorized, in his discretion, to exempt from some or all of the provisions of said Act "any contracts or subcontracts under which, in the opinion of the Secretary, the profits can be determined with reasonable certainty when the contract price is established * * * when the period of performance under said contract or subcontract will not be in excess of thirty days;"

(b) That by the provisions of said Act the Secretary may exempt from the provisions of said Act a portion of any contract or subcontract during a specified period or periods if in the opinion of the Secretary the provisions of the contract are otherwise adequate to prevent excessive profits;

(c) That by the provisions of said Act the Secretary is authorized to exempt contracts and sub-

contracts, both individually and by general classes and types, from the operation of said Act;

(d) That said Renegotiation Act is made to apply only to contracts involving amounts in excess of \$100,000.00 and does not apply to contracts involving amounts less than \$100,000.00;

9. That said Renegotiation Act is further violative of said Articles of the Constitution and Amendments in that it directs the Secretary in determining excess profits under any contract not to make allowances for any salaries, bonuses or other compensation paid by a contractor to its officers or employees in excess of a reasonable amount and not to make allowance for any excess reserves set up by the contractor or for any costs incurred by the contractor which are excessive and unreasonable; that said Act does not contain any standard, guide or rule for the determination of what are reasonable salaries, bonuses or compensation or for the determination of what are or are not excessive or unreasonable costs [9] or reserves;

10. That said Renegotiation Act further violates said Articles of the Constitution and Amendments thereto in that it authorizes the Secretary, without any rule or standard to guide his discretion, to exempt from renegotiation contracts or portions of contracts made or to be performed during a specified period or periods of time, said period or periods of time to be fixed by the arbitrary action of the Secretary;

11. That in exercising the purported power to

determine excess profits the Renegotiation Act does not contain any limitation upon or description of the character of the material or data which the Secretary may consider;

12. That said Renegotiation Act is further violative of said Articles of the Constitution and Amendments thereto in that it contains no provisions for giving to the person whose contract is sought to be renegotiated a hearing or notice of place and time of hearing of such renegotiation; that said Renegotiation Act does not contain any provision for the reception of evidence or of giving to the contractor the right to cross-examine witnesses; that said Renegotiation Act does not contain any provisions requiring the Secretary to set forth in any manner the facts or figures forming the basis of any decision determining the existence of any excess profits;

13. That at the time of the making of said order of February 2, 1944, said Renegotiation Act did not contain any provision allowing a review in any court of the United States of any unilateral arbitrary or other decision made by a Secretary determining the existence of excess profits;

14. That said Renegotiation Act is further repugnant to said Articles of the Constitution and Amendments thereto in that it permits each contract sought to be negotiated by the Secretary [10] under the provisions of said Act to be construed in a manner different from that of any other contract in the computation of what constitutes an excess profit and permits the use of a different

standard or guide in the determination of what constitutes excess profits even when dealing with contracts of exactly the same class, covering the same materials and operating during the same period of time.

Third Defense

(a) Defendant admits the allegations contained in paragraph I of plaintiff's complaint.

(b) Defendant denies the allegations of paragraph II of plaintiff's complaint and denies that the above entitled court has jurisdiction of this action at all for each and all of the reasons set forth in the second defense of this answer.

(c) Denies all the allegations of paragraph 3 of plaintiff's complaint save and except that portion alleging that on the 11th day of August, 1944, the Under Secretary of War made the unilateral order and determination as attached to plaintiff's complaint and marked "Exhibit A".

(d) Admits the allegations of paragraph IV of plaintiff's complaint, with the proviso that said defendant is only entitled to said tax credit therein alleged in the event that it be determined herein that during the eleven months ending November 30, 1942, defendant made excessive profits in the sum of \$33,920.00.

(e) Admit the allegations of paragraph V of plaintiff's complaint.

(f) Referring to paragraph VI of plaintiff's complaint defendant admits that he has not paid to the United States said sum of \$33,920.00 or any

part thereof; deny that said amount or any part thereof is now due, owing or unpaid. [11]

Fourth Defense

That said order of August 11, 1944, is unenforceable and void as being violative of the due process clause of the Constitution of the United States in the following particulars, to wit:

(a) That said order and the determination of excessive profits contained therein is based upon information secretly collected and not disclosed;

(b) That said order does not contain any general or special findings upon which the determination of excessive profits was made or based.

Fifth Defense

No contracts made by defendants or work done by defendants for the eleven months ending November 30, 1942, were made with the United States or performed for the United States or with any others than with private corporations or with private parties; that no single contract for said work during said period of time exceeded in amount the sum of \$99,000.00.

Sixth Defense

Deny that for or during the eleven months ending November 30, 1942, that defendant made, earned or received excess or excessive profits in the sum of \$33,920.00 or in any other sum or amount at all.

Wherefore, defendant prays that plaintiff take

nothing by reason of its complaint on file herein and that defendant have judgment herein for his costs and for such other and further relief as may to the court seem meet and just in the premises.

/s/ JOS. I. McMULLEN,

/s/ LEO R. FRIEDMAN,

Attorneys for Defendant.

[Endorsed]: Filed Feb. 23, 1946.

[12]

[Title of District Court and Cause.]

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This cause came on for hearing, before the Court without a jury, on January 14, 1947, and the Court having considered the pleadings and the stipulations made and entered into in open court upon the hearing of this cause, and being now fully advised in the premises, now finds the facts and states the conclusions of law, as follows:

FINDINGS OF FACT

1. That at all times herein mentioned, the defendant, E. L. Eason, Jr. resided in the County of Los Angeles, California.

2. After due notice to defendant, proceedings for the renegotiation of defendant's contracts and subcontracts were had and conducted by representatives of the Secretary of War. Thereafter, on the 11th day of August, 1944, the Under Secretary of War, acting under and by virtue of the Rene-

gotiation Act and pursuant to authority delegated to him, duly determined, in accordance with law, that of the profits realized by defendant during the fiscal period of eleven months ending November 30, 1942, on his contracts and subcontracts subject to renegotiation, Thirty Three Thousand Nine Hundred Twenty Dollars (\$33,920.00) [13] were excessive profits, and caused demand to be made upon the defendant for payment to the United States of such excessive profits, less the appropriate tax credit, if any.

3. That the tax credit to which defendant is entitled, under Section 3806 of the Internal Revenue Code is in the amount of Twelve Thousand Two Hundred Twenty One and 86/100 Dollars (\$12,221.86).

4. That defendant has not petitioned the Tax Court of the United States for a redetermination of the amount of the excessive profits received by him, as provided by Section 403(e) of the Renegotiation Act and the period for filing such petition has expired.

5. Defendant has not paid to the United States and the United States has not withheld or by any other method eliminated said excessive profits in the amount of Thirty Three Thousand Nine Hundred Twenty Dollars (\$33,920), less the tax credit aforesaid, nor any part thereof; that the amount now due, owing, and unpaid to the United States from the defendant is \$25,133.67 which amount includes interest at the rate of 6% per annum, from August 11, 1944 to date.

CONCLUSIONS OF LAW

1. That the Court has jurisdiction of the parties and of the subject matter of this action.

2. That plaintiff is entitled to recover from the defendant, the sum of \$25,133.67.

It Is Ordered, that judgment shall be entered in conformity herewith.

Dated April 19, 1947.

/s/ LEON R. YANKWICH,
Judge, United States
District Court.

(Affidavit of Service by Mail attached.)

[Endorsed]: Filed April 19, 1947.

[14]

In the District Court of the United States In and
For the Southern District of California, Cen-
tral Division

No. 5032-Y

UNITED STATES OF AMERICA,

Plaintiff,

vs.

E. L. EASON, Jr.,

Defendant.

JUDGMENT

This cause came on regularly for trial before the Court, without a jury, on January 14, 1947 and in conformity with the Court's Findings of Fact and Conclusions of Law, it is

Ordered and Adjudged, That plaintiff, United States of America, do have and recover from the defendant, E. L. Eason, Jr., the sum of \$25,133.67.

Dated April 19, 1947.

/s/ LEON R. YANKWICH,
Judge, United States
District Court.

Judgment entered Apr. 19, 1947. Docketed Apr. 22, 1947. C. O. Book 42. Page 714. Edmund L. Smith, Clerk.

(Affidavit of Service by Mail attached.)

[Endorsed]: Filed Aug. 19, 1947.

[16]

[Title of District Court and Cause.]

NOTICE OF APPEAL

Notice is hereby given that defendant above named does herewith and hereby appeal to the United States Circuit Court of Appeals for the Ninth Circuit from the final judgment and order made rendered and filed in the above entitled court and cause on April 19, 1947, and entered in the Civil Order Book 42, at page 714, under date of April 22, 1947, and from the whole of said judgment and order. Said judgment and order having been made and rendered in favor of plaintiff and against defendant.

Dated April 25, 1947.

LEO R. FRIEDMAN,
JOS. I. McMULLEN,
Attorneys for Defendant.

(Acknowledgment of Service.)

[Endorsed]: Filed May 2, 1947.

[18]

[Title of District Court and Cause.]

CERTIFICATE OF CLERK

I, Edmund L. Smith, Clerk of the **District Court** of the United States for the Southern District of California, do hereby certify that the foregoing pages numbered from 1 to 22 inclusive contain full, true and correct copies of Complaint; Answer; Findings of Fact and Conclusions of Law; Judg-

ment; Notice of Appeal; Statement of Points on Which Appellant Intends to Rely on Appeal and Designation of Contents of Record on Appeal which, together with copy of Reporter's Transcript of Proceedings on January 15, 1947, transmitted herewith, constitute the record on appeal to the United States Circuit Court of Appeals for the Ninth Circuit.

I further certify that my fees for preparing, comparing, correcting and certifying the foregoing record amount to \$6.10 which sum has been paid to me by appellant.

Witness my hand and the seal of said District Court this 5th day of June, A. D. 1947.

(Seal)

EDMUND L. SMITH,
Clerk.

[Endorsed]: No. 11648. United States Court of Appeals for the Ninth Circuit. E. L. Eason, Jr., Appellant, vs. United States of America, Appellee. Transcript of Record. Appeal from the United States District Court for the Southern District of California, Central Division.

Filed June 6, 1947.

/s/ PAUL P. O'BRIEN,
Clerk of the United States Court of Appeals for
the Ninth Circuit.

No. 11649

United States
Court of Appeals
for the Ninth Circuit

E. L. EASON, JR., FLORA RUTH EASON and
LEWIS C. EASON, as Trustee of the Estate of
Mildred Eason Stouffer, co-partners doing busi-
ness as Eason Grinding Company,

Appellants,

vs.

UNITED STATES OF AMERICA,

Appellee.

Transcript of Record

Appeal from the United States District Court
for the Southern District of California
Central Division

NAMES AND ADDRESSES OF ATTORNEYS

For Appellant:

LEO R. FRIEDMAN,
JOS. I. McMULLEN,
935 Russ Bldg.,
San Francisco 4, Calif.

For Appellee:

JAMES M. CARTER,
United States Attorney,
RONALD WALKER,
ROBERT E. WRIGHT,
Assistants U. S. Attorney,
600 U. S. Post Office and Court House
Bldg.,
Los Angeles 12, Calif. [1 *]

* Page numbering appearing at foot of page of original certified Transcript of Record.

In the District Court of the United States In and
For the Southern District of California, Central Division

No. 5445-M Civil

UNITED STATES OF AMERICA,

Plaintiff,

vs.

E. L. EASON, Jr., FLORA RUTH EASON, and
LEWIS C. EASON as Trustee of the Estate
of Mildred Eason Stouffer, co-partners doing
business as Eason Grinding Company,

Defendants.

COMPLAINT

The United States of America, plaintiff, by Charles H. Carr, its attorney for the Southern District of California, says that:

I.

Defendants E. L. Eason, Jr., Flora Ruth Eason, and Lewis C. Eason as Trustee of the Estate of Mildred Eason Stouffer reside in the County of Los Angeles, California, and do business in said county as co-partners under the firm name and style of Eason Grinding Company.

II.

Jurisdiction of this action is granted to the Court by the provisions of Section 24 of the Judicial Code, as amended, (Title 28 U.S.C.A. Section 41 (1)) and by the provisions of Section 403(c) of the Renegotiation Act. [2]

III.

After due notice to defendants, proceedings for the renegotiation of defendants' contracts and subcontracts were had and conducted by representatives of the War Contracts Price Adjustment Board, and thereafter on the 11th day of December, 1944, the Under Secretary of War, acting under and by virtue of the Renegotiation Act and pursuant to authority delegated to him by the War Contracts Price Adjustment Board, duly determined that of the profits realized by defendants during the fiscal period commencing December 1, 1942, and ending August 31, 1943, on their contracts and subcontracts subject to renegotiation, Sixty-nine Thousand Two Hundred Thirty-two Dollars and Six Cents (\$69,232.06) thereof were excessive profits. On the 11th day of December, 1944, the Under Secretary of War notified defendants of his determination by registered mail and sent defendants a copy of his order. A full, true, and correct copy of the order and determination of the Under Secretary of War is attached hereto as Exhibit "A" and by reference made a part hereof.

IV.

The tax credit to which defendants are entitled under Section 3806 of the Internal Revenue Code is in the amount of Thirty-three Thousand Five Hundred Eighty-four Dollars and Seventy-nine Cents (\$33,584.79). This tax credit is computed upon the assumption that the profits determined to be excessive were returned as income by defendants for tax purposes and that the appropriate taxes have been or will be paid upon such profits.

V.

On February 10, 1945, the War Contracts Price Adjustment Board notified defendants that the order of the Under Secretary of War dated December 11, 1944, was adopted by the Board as its order, and demand was made upon defendants for payment to the United States on or before February 25, 1945, of the excessive profits determined to be owing, less the appropriate tax credit. A full, true, and correct copy of the notice of February 10, 1945, is attached hereto as Exhibit "B" and by reference made a part hereof. [3]

VI.

Defendants have not petitioned the Tax Court of the United States for a redetermination of the amount of excessive profits received by them as provided by Section 403(e) of the Renegotiation Act, and the period for filing such petition has expired. Pursuant to the provisions of Section 403 (e) of the Renegotiation Act, the order determining the amount of defendants' excessive profits has become final and conclusive, and it is not subject to review or redetermination by any Court or other agency.

VII.

Defendants have not paid to the United States, and the United States has not withheld, or by any method eliminated, said excessive profits in the amount of Sixty-nine Thousand Two Hundred Thirty-two Dollars and Six Cents (\$69,232.06), less the tax credit aforesaid, nor any part thereof. Said amount is now due, owing, and unpaid.

Wherefore, plaintiff prays judgment against defendants in the sum of Thirty-five Thousand Six Hundred Forty-seven Dollars and Twenty-seven Cents (\$35,647.27), with interest at the rate of 6% per annum from the 25th day of February, 1945.

CHARLES H. CARR,
United States Attorney,
RONALD WALKER,
Assistant U. S. Attorney,
Chief of Civil Division.

/s/ ROBERT E. WRIGHT,
Assistant U. S. Attorney,
Attorneys for Plaintiff. [4]

EXHIBIT A

War Department
Office of the Under Secretary
Washington

ORDER UNDER DELEGATED AUTHORITY DETERMINING EXCESSIVE PROFITS

Pursuant to authority duly delegated by the War Contracts Price Adjustment Board, a renegotiation proceeding was duly commenced with Eason Grinding Company (hereinafter called the "Contractor") with respect to the aggregate of the amounts received or accrued by the Contractor under the contracts with the Departments and subcontracts as defined in the Renegotiation Act (such contracts and subcontracts being hereinafter col-

lectively referred to as "said contracts with the Departments and subcontracts") for the Contractor's fiscal period commencing 1 December 1942 and ending 31 August 1943, (hereinafter called "said fiscal period").

In connection with such renegotiation proceeding, a conference was held with the Contractor at or in connection with which there were submitted by the Contractor and obtained from governmental or other reliable sources, certain financial, operating and other data relating to the Contractor's business and the Contractor's profits derived from said contracts with the Departments and subcontracts during said fiscal period. At and in connection with such conference the Contractor has been afforded full opportunity to submit such additional information and to present such contentions as the Contractor deemed material to a determination of excessive profits within the meaning of the Renegotiation Act.

In determining the excessive profits hereinafter determined, due consideration has been given to all such financial, operating and other data and information so furnished or obtained, to each of the contentions so presented, and to all of the factors referred to in subsection (a) (4) (A) of the Renegotiation Act. [5]

As a result of such renegotiation it is hereby determined that \$70,000 represents the portion of the Contractor's profits derived from said contracts with the Department and subcontracts for

said fiscal period, which is excessive within the meaning of the Renegotiation Act. After proper adjustment on account of taxes, other than Federal taxes, measured by income which are attributable to that portion of the Contractor's profits derived from said contracts with the Departments and sub-contracts for said fiscal period which is not excessive, it is hereby determined that the amount of excessive profits of the Contractor for said fiscal period which should be eliminated is \$69,232.06.

This order will be deemed the determination of the War Contracts Price Adjustment Board upon the conditions prescribed in subsection (d) (5) of the Renegotiation Act. If, and as soon as, this order shall be deemed the determination of the War Contracts Price Adjustment Board, pursuant to subsection (d) (5) of the Renegotiation Act, then the Secretary of War (or such official or officials in the War Department to whom the power, function and duty of exercising such authority and carrying out such direction may be or have been delegated or successively redelegated) is hereby authorized and directed to take such action (including the authorization and direction of any other Secretary or Secretaries to take such action) as it provided by the Renegotiation Act and as he deems appropriate to eliminate such excessive profits to be eliminated.

In connection with the payment or discharge by any means of such excessive profits to be eliminated, the Renegotiation Act provides that the Con-

tractor shall be allowed the applicable credit, if any, for Federal income and excess profits taxes as provided in Section 3806 of the Internal Revenue Code. [6]

Dated, Issued and Entered on 11 December, 1944.

/s/ ROBERT P. PATTERSON,
Under Secretary of War.

Acting on behalf of the War Contracts Price Adjustment Board created by the Renegotiation Act, under due delegations of authority made pursuant to subsection (d) (4) of the Renegotiation Act. [7]

EXHIBIT B

Room 3D 573—The Pentagon
10 February, 1945

Eason Grinding Company
1823 East Slauson Avenue
Los Angeles, California

Gentlemen:

You are hereby notified that, no review having been initiated by the War Contracts Price Adjustment Board, either on your request or on its own motion, of the order dated, issued and entered on 11 December 1944 pursuant to renegotiation under the Renegotiation Act, by Robert P. Patterson, Under Secretary of War, acting on behalf of the War Contracts Price Adjustment Board in accordance with authority delegated by it, determining that of your profits derived from contracts with

the Departments and subcontracts for your fiscal period commencing 1 December 1942 and ending 31 August 1943, Sixty-nine Thousand, Two Hundred Thirty-two Dollars and Six Cents (\$69,232.06) represents excessive profits which should be eliminated, such order is deemed the determination of the War Contracts Price Adjustment Board.

A copy of such order is enclosed herewith.

This notice is being mailed to you by Registered Mail on 10 February 1945.

Demand is hereby made for the payment of the amount of such excessive profits to be eliminated less the tax credit, if any, referred to in such order. Any check should be drawn to the order of the Treasurer of the United States and delivered to the Chairman, War Department Price Adjustment Board, Room 3-D 573—The Pentagon, Washington 25, D. C.

Interest will accrue at the rate of 6% per annum from and after 25 February 1945 on any amount due under such order and unpaid. [8]

Very truly yours,

WAR CONTRACTS PRICE
ADJUSTMENT BOARD,

By /s/ J. S. FEIGHT,

Lieutenant, USNR, Secretary.

Countersigned:

/s/ MAURICE HIRSCH,

Colonel, General Staff Corps. Acting on behalf of
the Secretary of War.

[Endorsed]: Filed June 6, 1946.

[9]

[Title of District Court and Cause.]

ANSWER

Come now the defendants above named and in answer to the complaint of plaintiff on file herein, deny and allege as follows, to wit:

First Defense

'The complaint fails to state a claim against defendants or any of them upon which relief can be granted.

Second Defense

'That said order of December 11, 1944, (marked Exhibit "A" and attached to and by reference incorporated in plaintiff's complaint; is void; that neither the Secretary of War nor said [10] Under Secretary of War has or had the power or authority to make said order and that neither said Secretary of War or said Under Secretary of War, or any other person, or the United States of America has the power or authority to enforce said order according to its terms or otherwise or at all either by suit or action or in any other manner, for the reason that said Renegotiation Act is void, without lawful effect and repugnant to the Constitution of the United States in each of the following particulars, to wit:

(a) Said Renegotiation Act is repugnant to Article I, section 1, and Article II, section 8, paragraph 18 of the Constitution of the United States in that it unlawfully delegates legislative power to the War Contracts Price Adjustment Board and

to the defendants and to the secretaries of the various departments as in said Act set forth:

(b) That said Renegotiation Act is repugnant to the Fifth Amendment to the Constitution of the United States in that it deprives plaintiffs of their property without due process of law;

(c) That said Renegotiation Act is repugnant to the Fifth Amendment to the Constitution of the United States in that it takes plaintiffs' property for public use without just or any compensation;

(d) That said Renegotiation Act is repugnant to the Tenth Amendment to the Constitution of the United States in that it attempts to exercise a power not delegated to the United States;

(e) That said Renegotiation Act is repugnant to Article I, section 1, and Article V, section 8, paragraph 18, of the Constitution of the United States and to the Fifth and Tenth Amendments thereto, in that by said Act it is provided that "whenever, in the opinion of the Board the amounts received or accrued under contracts with the departments and subcontracts may reflect excessive profits" the Board is authorized and directed to "issue [11] and enter an order determining the amount, if any, of such excessive profits under such contract or subcontract" and neither said Renegotiation Act nor any other provision of law sets forth or declares any rules, standard, guide or policy by which said Board is to be guided in the administration of said Act or in the determination of what are or are not excessive profits other than the arbitrary order, whim or caprice of said Board or other

person to whom it delegates its authority; that by said Act Congress has attempted to delegate to the Board the power to refix contract prices and has directed, authorized and empowered it, by unguided opinion and without setting forth any standard, gauge, or rule, to determine what profits are excessive;

(f) That said Renegotiation Act further violates said foregoing provisions of the Constitution and the Fifth and Tenth Amendments thereto in that it purports to vest in the Board the power to renegotiate and change and impair the obligation of contracts made and entered into between private persons, firms and corporations and to which contracts the government of the United States is not a party, and in instances where no privity of contract exists between the contracting parties and the United States;

(g) That said Renegotiation Act is further repugnant to said Articles of the Constitution of the United States and to said Fifth and Tenth Amendments thereto, in that it provides that upon any renegotiation conducted and made and upon any order entered pursuant thereto by the Board, said Board may make a revision of said contracts renegotiated by reducing the contract price of said contract, but said Renegotiation Act contains no provision whereby the contractor or subcontractor can have his contract price raised in the event that such contract price did not produce a fair profit on the business done under said contract [12] or any profit at all;

(h) That said Renegotiation Act is further repugnant to said Articles of the Constitution and to said Fifth and Tenth Amendments thereto in that it does not provide for any equality of treatment as to all persons, firms or corporations whose contracts are made subject to the provisions of said Act, in the following particulars, to wit:

1. That by the provisions of said Act the Board is authorized, in its discretion, to exempt from some or all of the provisions of said Act "any contracts or subcontracts under which, in the opinion of the Board, the profits can be determined with reasonable certainty when the contract price is established * * * when the period of performance under said contract or subcontract will not be in excess of thirty days";

2. That by the provisions of said Act the Board may exempt from the provisions of said Act a portion of any contract or subcontract during a specified period or periods if in the opinion of the Board the provisions of the contract are otherwise adequate to prevent excessive profits;

3. That by the provisions of said Act the Board is authorized to exempt contracts and subcontracts, both individually and by general classes and types, from the operation of said Act;

4. That said Renegotiation Act is made to apply only to contracts involving amounts in excess of \$500,000.00 and does not apply to contracts involving amounts less than \$500,000.00;

(i) That said Renegotiation Act is further violative of said Articles of the Constitution and Amend-

ments in that it directs the Board in determining excess profits under any contract not to make allowances for any item of cost to the extent in the opinion of the Board such item is unreasonable or not properly [13] chargeable to such contract or subcontract; that said Act does not contain any standard, guide or rule for the determination of what are unreasonable items of cost or costs for the determination of what are or are not costs properly chargeable to such contract or subcontract.

(j) That said Renegotiation Act further violates said Articles of the Constitution and Amendments thereto in that it prohibits resort and recourse to the judicial courts of the United States by any person injured by an order of the Board.

(k) That in exercising the purported power to determine excessive profits the Renegotiation Act does not contain any limitation upon or description of the character of the material or data which the Board may consider;

(l) That said Renegotiation Act is further violative of said Articles of the Constitution and Amendments thereto in that it contains no provision giving to the contractor the right to cross-examine witnesses; that said Renegotiation Act does not contain any provision requiring the Board to set forth in any manner findings of facts or figures forming the basis of any decision determining the existence of any excessive profits; or requiring any Secretary exercising delegated authority to set

forth in his order any findings on which is based the determination of excessive profits.

(m) Said Renegotiation Act does not contain any provision allowing a review in any court of the United States of any unilateral arbitrary or other decision made by a Secretary determining the existence of excess profits;

(n) That said Renegotiation Act is further repugnant to said Articles of the Constitution and Amendments thereto in that it permits each contract to be renegotiated by the Board under the provisions of said Act to be construed in a manner [14] different from that of any other contract in the computation of what constitutes an excessive profit and permits the use of a different standard or guide in the determination of what constitutes excessive profits even when dealing with contracts of exactly the same class, covering the same materials and operating during the same period of time.

(o) That said Act is repugnant to said Articles of the Constitution and Amendments thereto in that it directly operates to impair the obligations of contracts entered into between defendants and private persons and corporations and directly operates to deprive defendants of their property without due process of law.

Third Defense

(a) Defendants admit the allegations contained in paragraph I of plaintiff's complaint.

(b) Defendants deny the allegations of para-

graph II of plaintiff's complaint and deny that the above-entitled court has jurisdiction of this action at all for each and all of the reasons set forth in the second defense of this answer.

(c) Deny all the allegations of paragraph III of plaintiff's complaint, save and except the portion thereof reading as follows: "On the 11th day of December, 1944, the Under Secretary of War notified defendants of his determination by registered mail and sent defendants a copy of his order. A full, true and correct copy of the order and determination of the Under Secretary of War is attached hereto as Exhibit "A" and by reference made a part hereof;" which latter allegations defendants admit.

(d) Admit the allegations of paragraph IV of plaintiff's complaint, with the proviso that said defendants are only entitled to said tax credit therein alleged in the event that it be determined herein that during the period commencing December 1, 1942, and [15] ending August 31, 1943, they made excessive profits in the sum of \$70,000.00.

(e) Admit the allegations of paragraph V of plaintiff's complaint.

(f) Referring to paragraph VI of plaintiff's complaint defendants admit that they have not petitioned the tax court of the United States for a redetermination of the amount of alleged excessive profits as set forth in said order of December 11, 1944, and admit that the period for filing such petition has expired; deny that pursuant to the provisions of section 403(c) of said Renegotiation

Act the order determining the amount of defendant's excessive profits has therefore or otherwise or at all become final or conclusive and is not subject to review or redetermination by any court or other agency.

(g) Referring to paragraph VII of plaintiff's complaint defendants admit that they have not paid to the United States said sum of \$60,232.06 or any part thereof; deny that said amount or any part thereof is now due, owing or unpaid.

Fourth Defense

That said order of December 11, 1944, is unenforceable and void as being violative of the due process clause of the Constitution of the United States in the following particulars, to wit:

(a) That said order and the determination of excessive profits contained therein is based upon information secretly collected and not disclosed;

(b) That said order does not contain any general or special findings upon which the determination of excessive profits was made or based.

Fifth Defense

No contracts made by defendants or work done by defendants [16] for the period commencing December 31, 1942, and ending August 31, 1943, were made with the United States or performed for the United States or with any others than with private corporations or with private parties; that no single contract for said work during said period of time exceeded in amount the sum of \$99,000.00.

Sixth Defense

Deny that for or during the period commencing December 31, 1942, and ending August 31, 1943, that defendants made, earned or received excess or excessive profits in the sum of \$70,000.00, or in any other sum or amount at all.

Wherefore, defendants pray that plaintiff take nothing by reason of the complaint on file herein, that they have judgment herein for their costs and for such other and further relief as may to the court seem meet and just in the premises.

/s/ JOS. I. McMULLEN,

/s/ LEO R. FRIEDMAN,

Attorneys for Defendants.

(Acknowledgment of Service by Mail attached.)

[Endorsed]: Filed Aug. 8, 1946.

[17]

[Title of District Court and Cause.]

FINDINGS OF FACT AND
CONCLUSIONS OF LAW

This cause came on for hearing, before the Court without a jury, on January 14, 1947, and the Court having considered the pleadings and the stipulations made and entered into in open court, upon the hearing of this cause, and being now fully advised in the premises, now finds the facts and states the conclusions of law, as follows:

FINDINGS OF FACT

1. That at all times herein mentioned, defendants E. L. Eason, Jr., Flora Ruth Eason, and Lewis C. Eason, as Trustee of the Estate of Mil-

dred Eason Stouffer resided in the County of Los Angeles, California and did business in said County as co-partners, under the firm name and style of Eason Grinding Company.

2. After due notice to defendants, proceedings for the renegotiation of defendants' Contracts and Subcontracts were had and conducted by representatives of the War Contracts Price Adjustment Board, and thereafter on the 11th day of December, 1944, the Under Secretary of War, acting under and by virtue of the [19] Renegotiation Act, and pursuant to authority delegated to him by the War Contracts Price Adjustment Board, duly determined that of the profits realized by defendants during the fiscal period commencing December 1, 1942 and ending August 31, 1943, on their contracts and subcontracts, subject to renegotiation, Sixty Nine Thousand Two Hundred Thirty Two and 06/100 Dollars (\$69,232.06) thereof were excessive profits, and on said date notified defendants of his determination by Registered mail and sent defendants a copy of his order.

3. That the tax credit to which defendants are entitled, under Section 3806, of the Internal Revenue Code, is in the amount of Thirty Three Thousand Five Hundred Eighty Four and 79/100 Dollars (\$33,584.79).

4. That on February 10, 1945, the War Contracts Price Adjustment Board notified defendants that the order of the Under Secretary of War dated December 11, 1944, was adopted by the board as its order, and demand was made upon defendants, for the payment to the United States on or

before February 25, 1945, of the excessive profits determined to be owing, less the appropriate tax credit.

5. That defendants have not petitioned the tax court of the United States for a redetermination of the amount of excessive profits received by them, as provided by Section 403(e) of the Renegotiation Act and the period for filing such petition has expired.

6. That defendants have not, nor has either of them, paid to the United States said excessive profits in the amount of Sixty Nine Thousand Two Hundred Thirty Two and 06/100 Dollars (\$69,232.06), less the tax credit aforesaid nor any part thereof; and that the amount now due, owing and unpaid the United States from the defendants is \$40,103.18, which amount includes interest at the rate of 6% from February 25, 1945 to date.

CONCLUSIONS OF LAW

1. That the Court has jurisdiction of the parties and of the subject matter of this action.

2. That plaintiff is entitled to recover from the defendant, the sum of \$40,103.18. [20]

It Is Ordered, that judgment should be entered in conformity herewith.

Dated April 19, 1947.

/s/ LEON R. YANKWICH,

Judge, United States
District Court.

(Affidavit of Service by Mail attached.)

[Endorsed]: Filed April 19, 1947.

[21]

In the District Court of the United States In and
For the Southern District of California, Cen-
tral Division

No. 5445-Y Civil

UNITED STATES OF AMERICA,

Plaintiff,

vs.

E. L. EASON, Jr., FLORA RUTH EASON and
LEWIS C. EASON, as Trustee of the Estate
of Mildred Eason Stouffer, co-partners doing
business as Eason Grinding Company,

Defendants.

JUDGMENT

This cause came on regularly for hearing, before
the Court without a jury, on January 19, 1947, and
in conformity with the Court's Findings of Fact
and Conclusions of Law, it is:

Ordered and Adjudged, that plaintiff, United
States of America, do have and recover from the
defendants, E. L. Eason, Jr., Flora Ruth Eason,
and Lewis C. Eason, as Trustee of the Estate of
Mildred Eason Stouffer, co-partners doing business
as Eason Grinding Company, the sum of \$40,-
103.18.

Dated this 19th day of April, 1947.

/s/ LEON R. YANKWICH,

Judge, U. S. District Court.

Judgment entered April 19, 1947. Docketed April
22, 1947. C. O. Book 42. Page 713. Edmund L.
Smith, Clerk.

(Affidavit of Service by Mail attached.)

[Endorsed]: Filed April 19, 1947.

[23]

[Title of District Court and Cause.]

NOTICE OF APPEAL

Notice is hereby given that defendants above named do herewith and hereby appeal to the United States Circuit Court of Appeals for the Ninth Circuit from the final judgment and order made, rendered and filed in the above entitled court and cause on April 19, 1947, and entered in the Civil Order Book 42, at page 713, under date of April 22, 1947, and from the whole of said judgment and order. Said judgment and order having been made and rendered in favor of plaintiff and against defendants.

Dated April 25, 1947.

LEO R. FRIEDMAN,
JOS. I. McMULLEN,
Attorneys for Defendants.

(Acknowledgment of Service.)

[Endorsed]: Filed May 2, 1947.

[25]

[Title of District Court and Cause.]

CERTIFICATE OF CLERK

I, Edmund L. Smith, Clerk of the District Court of the United States for the Southern District of California, do hereby certify that the foregoing pages numbered from 1 to 30 inclusive contain full, true and correct copies of Complaint; Answer; Findings of Fact and Conclusions of Law; Judg-

ment; Notice of Appeal; Statement of Points on Which Appellants Intend to Rely on Appeal and Designation of Record on Appeal which, together with copy of Reporter's Transcript of Proceedings held on January 15, 1947, transmitted herewith, constitute the record on appeal to the United States Circuit Court of Appeals for the Ninth Circuit.

I further certify that my fees for preparing, comparing, correcting and certifying the foregoing record amount to \$7.95 which sum has been paid to me by appellants.

Witness my hand the seal of said District Court this 5th day of June, A. D. 1947.

(Seal)

EDMUND L. SMITH,
Clerk.

[Endorsed]: No. 11649. United States Court of Appeals for the Ninth Circuit. E. L. Eason. Jr., Flora Ruth Eason and Lewis C. Eason, as Trustee of the Estate of Mildred Eason Stouffer, co-partners doing business as Eason Grinding Company, Appellants, vs. United States of America, Appellee. Transcript of Record. Appeal from the United States District Court for the Southern District of California, Central Division.

Filed June 6, 1947.

/s/ PAUL P. O'BRIEN,
Clerk of the United States Court of Appeals for
the Ninth Circuit.

In the United States Circuit Court of Appeals
For the Ninth Circuit

No. 11648

E. L. EASON, JR.,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

and

No. 11649

E. L. EASON, JR., FLORA RUTH EASON, and
LEWIS C. EASON, as Trustee of the Estate
of Mildred Eason Stouffer, co-partners doing
business as Eason Grinding Company,

Appellants.

vs.

UNITED STATES OF AMERICA,

Appellee.

STIPULATION FOR CONSOLIDATION OF
CASES ON APPEAL AND THE SUBMISSION
THEREOF ON ONE PRINTED RECORD

Whereas, the above entitled cases were consolidated and tried together in the United States District Court for the Southern District of California, and appellants above named have perfected their appeals to the above entitled court from the judgments rendered in each case, which said appeals have been docketed as above noted; and

Whereas, said cases involved the same legal points and issues;

It is hereby Stipulated by and between the parties to the above appeals that the two foregoing cases may be consolidated for hearing on said appeal and that but one record be printed on said appeal, omitting therefrom the duplication of the reporter's transcript.

Dated June 9, 1947.

/s/ LEO R. FRIEDMAN,

/s/ JOS. I. McMULLEN,

Attorneys for Appellants.

CHARLES H. CARR,

United States Attorney,

RONALD WALKER,

ROBERT E. WRIGHT,

Assistant U. S. Attorneys,

/s/ ROBERT E. WRIGHT,

Assistant U. S. Attorney,

Attorneys for Appellee.

So Ordered:

/s/ FRANCIS A. GARRECHT,

Senior United States Circuit Judge.

[Endorsed]: Filed June 17. 1947. Paul P. O'Brien, Clerk.

[Title of Court of Appeals and Causes Nos. 11648-49]

AMENDMENT OF DESIGNATION OF RECORD TO BE PRINTED, POINTS RELIED ON ON APPEAL AND STIPULATION RELATIVE TO SAME.

Whereas, the above entitled Court heretofore made its order consolidating the above cases for hearing on appeal and holding the preparation of record on appeal in abeyance until a decision of the Supreme Court of the United States should be rendered on the constitutionality of the Renegotiation Act; and

Whereas, said decision has heretofore been rendered in the cases of *Lichter, et al, v. United States*; and

Whereas, said decision of said Supreme Court has disposed of all questions of constitutionality relative to said Renegotiation Act and adversely to the contentions of appellants;

Appellees do herewith and hereby waive and withdraw all of the points heretofore designated in their Statement of Points on which they intend to rely on appeal, save and except Point No. 3 thereof reading:

“That the District Court erred in holding and rendering judgment for plaintiff for interest from the 25th day of February, 1945 to the date of said judgment or allowing plaintiff to recover any interest at all.”

That in order to present the foregoing point on appeal, it is unnecessary to print the entire record

as contained in appellants' "Designation of Contents of Record on Appeal" heretofore filed in the above Court.

Wherefore, it is hereby stipulated by and between the parties to the above action that the "Designation of Contents of Record on Appeal" be and the same is hereby amended by excluding therefrom all matters save and except the following, to wit:

1. The Complaint.
2. Answer of defendant.
3. Findings of fact and conclusions of law.
4. The judgment.
5. Notice of appeal.
6. This amendment and stipulation.

/s/ LEO R. FRIEDMAN,

/s/ JOS. I. McMULLEN,

Attorneys for Appellant.

JAMES M. CARTER,

United States Attorney,

By /s/ (Illegible.)

Assistant U. S. Attorney.

So Ordered:

/s/ WILLIAM DENMAN,

Chief Judge of the United States Court of Appeals
for the Ninth Circuit.

[Endorsed]: Filed October 25, 1948. Paul P.
O'Brien, Clerk.

Nos. 11,648 and 11,649

IN THE

United States Court of Appeals
For the Ninth Circuit

E. L. EASON, JR.,

Appellant.

VS.

UNITED STATES OF AMERICA,

Appellee.

and

E. L. EASON, JR., FLORA RUTH EASON
and LEWIS C. EASON, as Trustee of
the Estate of Mildred Eason Stouffer,
co-partners doing business as Eason
Grinding Company,

Appellants,

VS.

UNITED STATES OF AMERICA,

Appellee.

APPELLANTS' OPENING BRIEF.

LEO R. FRIEDMAN,

JOS. I. McMULLEN,

Russ Building, San Francisco 4,
Attorneys for Appellants.

FILED

DEC 21 1948

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Nos. 11,648 - 11,649

IN THE

**United States Court of Appeals
For the Ninth Circuit**

E. L. EASON, JR.,

Appellant.

VS.

UNITED STATES OF AMERICA,

Appellee.

and

E. L. EASON, JR., FLORA RUTH EASON
and LEWIS C. EASON, as Trustee of
the Estate of Mildred Eason Stouffer,
co-partners doing business as Eason
Grinding Company,

Appellants,

VS.

UNITED STATES OF AMERICA,

Appellee.

APPELLANTS' OPENING BRIEF.

These are appeals from two judgments rendered in favor of the United States of America (plaintiffs below) in actions brought, under the Federal Renegotiation Act, to recover amounts alleged to have been excessive profits realized by appellants in the years 1942 and 1943.

While separate appeals were taken from each judgment, the matters have been consolidated for hearing by stipulation and order of this Court. (R. 44.)

JURISDICTIONAL STATEMENTS.

(1) **Statutes conferring jurisdiction on the United States District Court.**

The Statutes believed to sustain jurisdiction of the United States District Court are as follows:

“The District Courts shall have original jurisdiction * * * Of all suits of a civil nature, at common law or in equity, brought by the United States, or by any officer thereof authorized by law to sue, * * *.”

28 *U.S.C.A.*, Sec. 41, Subdiv. 1; Sec. 24 *Judicial Code*.

“Actions on behalf of the United States may be brought in the appropriate Courts of the United States to recover from the contractor any amount of such excessive profits actually paid to him and not withheld or eliminated by some other method under this subsection.”

Renegotiation Act, Sec. 403 (c) (2).

(2) **Pleadings showing the existence of the District Court's jurisdiction.**

(a) The complaints of the United States, (R. 2, 22.)

(b) The answers of appellants. (R. 7, 30.)

(3) **The statute conferring appellate jurisdiction on the United States Court of Appeals.**

28 *U.S.C.A.*, Sec. 225; *Judicial Code*, Sec. 128, provides:

“The circuit court of appeals shall have appellate jurisdiction to review by appeal final decisions * * * First. In the district courts, in all cases save where a direct review of the decision may be had in the Supreme Court under section 345 of this title.”

(4) **The statute involved.**

The Renegotiation Acts of 1942 and 1943. Sec. 403(c) Sixth Supplemental National Defense Appropriation Act, Public Law 528, 77th Congress, 56 Stat. 226, 245, as amended by (1) Sec. 801 of the Revenue Act of 1942, Public Law 753, 77th Congress, 56 Stat. 798, 982, (2) Act of July 14, 1943, Public Law 149, 78th Congress, 57 Stat. 564, (3) Military Appropriation Act, 1944, Public Law 108, 78th Congress, 57 Stat. 564, and (4) Revenue Act of 1943 (Effective Feb. 25, 1944), Public Law 235, 78th Congress, 58 Stat. 21, 78.

STATEMENT OF THE CASE.

The United States, in the Court below, filed two complaints seeking to recover from appellants amounts of money claimed to be due as the result of orders determining excessive profits made by the Under Secretary of War under authority conferred by the Renegotiation Act.

In the first action (numbered on this appeal 11648) the complaint in substance alleged that on Aug. 11, 1944 the Under Secretary of War made his order to the effect that appellant in 1942 made excessive profits in the amount of \$33,920 and was entitled to a tax credit of \$6,073.43. The prayer was for the difference between said amounts, to-wit: \$27,946.57. (R. 2.) At the hearing before the lower Court the United States stipulated that the tax credit appellant was in fact entitled to, was the sum \$12,221.86 and that the principal amount due the United States under said order was the balance of \$21,698.14.

In the second action (numbered on this appeal 11649) the complaint in substance alleged that on Dec. 11, 1944, the Under Secretary of War made his order to the effect that appellants in 1943 made excessive profits in the amount of \$69,232.06 and were entitled to a tax credit of \$33,584.79. The prayer was for the difference between said amounts, to-wit: \$35,647.27. (R. 22.)

Appellants filed lengthy answers to each of these complaints (R. 7, 30) advancing many grounds as to the unconstitutionality of the Renegotiation Act, and other matters of defense.

The trial judge gave judgment for the United States in each suit and appellants appealed to this Court. (R. 19, 42.)

In the first action, Findings of Fact Nos. 3 and 5 are as follows:

“3. That the tax credit to which defendant is entitled, under Section 3806 of the Internal Revenue Code is in the amount of Twelve Thousand Two Hundred Twenty One and 86/100 Dollars.” (R. 16.)

“5. Defendant has not paid to the United States and the United States has not withheld or by any other method eliminated said excessive profits in the amount of Thirty Three Thousand Nine Hundred Twenty Dollars (\$33,920), less the tax credit aforesaid, nor any part thereof; that the amount now due, owing, and unpaid to the United States from defendant is \$25,133.67 **which amount includes interest at the rate of 6% per annum, from August 11, 1944 to date.**” (R. 16.)

In the second action, Finding of Fact Nos. 3 and 6 are as follows:

“3. That the tax credit to which defendants are entitled, under Section 3806, of the Internal Revenue Code, is in the amount of Thirty Three Thousand Five Hundred Eighty Four and 70/100 Dollars (\$33,584.79).” (R. 39.)

“6. That defendants have not, nor has either of them, paid to the United States said excessive profits in the amount of Sixty Nine Thousand Two Hundred Thirty Two and 06/100 Dollars (\$69,232.06), less the tax credit aforesaid nor any part thereof; and that the amount now due, owing and unpaid the United States from the defendants is \$40,103.18, **which amount includes interest at the rate of 6% from February 25, 1945 to date.**” (R. 40.)

Judgments for the United States were rendered accordingly. (R. 18, 41.)

While these appeals were pending, there was pending in the Supreme Court of the United States three cases involving the constitutionality of the Renegotiation Act (*Lichter v. United States*; *Pownall v. United States*, and *Alexander Wool Combing Co. v. United States*), and it was stipulated and ordered herein that the present cases be held in abeyance until decisions were rendered by the Supreme Court in the foregoing cases.

On June 14, 1948, the Supreme Court rendered its decision in the three foregoing cases (92 L. ed. Ad. Opinions 1260) upholding the constitutionality of the Renegotiation Act. Following which decision appellants herein abandoned all points on which said appeals were originally based, save and except the one point relative to the inclusion of interest in said judgments. (R. 46.)

Judgment in the first action includes interest in the sum of \$3,435.53, which sum is now bearing interest at 6% per annum from the date of said judgment.

Judgment in the second action includes interest in the sum of \$4,455.91, which sum is now bearing interest at 6% per annum.

SPECIFICATION OF ERRORS RELIED UPON.

1. That the District Court erred in including in the judgment rendered in appeal action 11648, interest on the sum of \$21,698.14 from August 11, 1944 to the date of entry of said judgment, or including therein any interest at all.

2. That the District Court erred in including in the judgment rendered in appeal action 11689, interest on the sum \$35,647.27 from February 25, 1945 to the date of entry of said judgment, or including therein any interest at all.

**SUMMARY OF ARGUMENT AND STATEMENT OF
GROUNDS ON WHICH IT IS CLAIMED NO INTEREST
COULD BE ALLOWED.**

Appellants allege and maintain that the lower Court erred in including interest in each of said judgments for the following reasons:

1. The wording and provisions of the Renegotiation Act, as construed by the Supreme Court, make manifest that it was not the intention of Congress to make any order determining excessive profits one that carried interest thereon.

2. An order determining excessive profits is neither the kind nor character of obligation due the United States that bears interest prior to judgment.

3. The allowance of interest prior to judgment, on an order determining excessive profits, is inequitable.

ARGUMENT.

1. THE WORDING OF THE RENEGOTIATION ACT MAKES MANIFEST THAT IT WAS NOT THE INTENTION OF CONGRESS TO MAKE ANY ORDER DETERMINING EXCESSIVE PROFITS ONE CARRYING INTEREST.

A reading and consideration of the provisions of the Renegotiation Act clearly demonstrates that it was not the intention of Congress to make any order of an executive or administrative agency determining excessive profits one carrying interest thereon. Not only does the Act negative any conclusion that interest should be allowed, but the very purpose sought to be attained and the exigencies of the situation prevailing when the contracts renegotiated were entered into, as explained by the Supreme Court in the cases of *Lichter, et al., v. United States*, supra, also negatives such conclusion.¹

The Renegotiation Act does not provide that interest shall be collected on any sums found to be excessive profits. True, the failure of the Act to provide for such interest is not conclusive on the question of whether interest should be allowed (*Jackson County v. United States*, 308 U.S. 348, 351; 84 L. ed. 313, 317); but the failure of Congress to provide for interest is a strong circumstance to be considered in determining the question. (*Jackson County v. United States*, supra; *Billings v. United States*, 232 U.S. 261; 58 L. ed. 596.)

The particular Renegotiation Act involved herein is the Revenue Act of 1942 (commonly referred to as

¹Pertinent extracts from the opinion of the Supreme Court will hereafter be set forth.

the Renegotiation Act of 1942) which amended Sec. 403 of the Sixth Supplemental National Defense Appropriation Act and became effective on October 21, 1942.²

Pertinent provisions of the Renegotiation Act of 1942 are as follows:

“Sec. 403. (a) * * *

(3) The terms “renegotiate” and “renegotiation” include **the refixing by the Secretary of the Department of the contract price.**

(4) The term “excessive profits” means any amount of a contract or subcontract price which is found **as a result of renegotiation** to represent excessive profits.

* * * * *

(b) Subject to subsection (i), the Secretary of each Department is authorized and directed to insert in any contract for an amount in excess of \$100,000 hereafter made by such Department—

(1) a provision for **the renegotiation of the contract price** at a period or periods when, in the judgment of the Secretary, **the profits can be determined with reasonable certainty;**

(2) a provision for the retention by the United States from amounts otherwise due the contractor, or for the repayment by him to the United States, if paid to him, **of any excessive profits** not eliminated through reductions in the contract price, or otherwise, as the Secretary may direct;

²There are certain retroactive provisions of the Renegotiation Act of 1943, effective on February 25, 1944, which we will hereafter set forth.

(3) a provision requiring the contractor to insert in each subcontract for an amount in excess of \$100,000 made by him under such contract (i) a provision **for the renegotiation** by such Secretary and the subcontractor **of the contract price** of the subcontract at a period or periods when, in the judgment of the Secretary, **the profits can be determined with reasonable certainty**, (ii) a provision for the retention by the contractor for the United States of the amount of any reduction in the contract price of any subcontract pursuant to its renegotiation hereunder, or **for the repayment by the subcontractor to the United States of any excessive profits** from such subcontract paid to him and not eliminated through reductions in the contract price or otherwise, as the Secretary may direct, and (iii) a provision for relieving the contractor from any liability to the subcontractor on account of any amount so retained by the contractor or repaid by the subcontractor to the United States, and (iv) in the discretion of the Secretary, a provision requiring any subcontractor to insert in any subcontract made by him under such subcontract, provisions corresponding to those of subparagraphs (3) and (4) of this subsection (b); and

(4) a provision for the retention by the United States from amounts otherwise due the contractor, or **for repayment by him to the United States, as the Secretary may direct, of the amount of any reduction in the contract price of any subcontract** under such contract, which the contractor is directed, pursuant to clause (3) of this subsection, to withhold from payments otherwise due the

subcontractor and actually unpaid at the time the contractor receives such direction. * * *

(c) (1) Whenever, in the opinion of the Secretary of a Department, the profits realized or likely to be realized from any contract with such Department, or from any subcontract thereunder whether or not made by the contractor, may be excessive, the Secretary is authorized and directed to require the contractor or subcontractor **to renegotiate the contract price.** * * *

(2) Upon renegotiation, the Secretary is authorized and directed **to eliminate any excessive profits** under such contract or subcontract (i) by reductions in the contract price of the contract or subcontract, or by other revision in its terms; or (ii) **by withholding**, from amounts otherwise due to the contractor or subcontractor, **any amount of such excessive profits**; or (iii) by directing a contractor to withhold for the account of the United States, from amounts otherwise due to the subcontractor, **any amount of such excessive profits** under the subcontract; or (iv) by recovery from the contractor or subcontractor, through repayment, credit or suit, of **any amount of such excessive profits actually paid to him**; or (v) by any combination of these methods, as the Secretary deems desirable. The Secretary may bring actions on behalf of the United States in the appropriate courts of the United States **to recover from such contractor or subcontractor, any amount of such excessive profits actually paid to him** and not withheld or eliminated by some other method under this subsection. The surety under a contract or subcontract shall not be liable for the repayment of any excessive profits there-

on. All money recovered by way of repayment or suit under this subsection shall be covered into the Treasury as miscellaneous receipts.

(3) * * *

(4) Upon renegotiation pursuant to this section, the Secretary may make such final or other agreements with a contractor or subcontractor for the elimination of excessive profits and for the discharge of any liability for excessive profits under this section, as the Secretary deems desirable. Such agreements may cover such past and future period or periods, may apply to such contract or contracts of the contractor or subcontractor, and may contain such terms and conditions, as the Secretary deems advisable. **Any such agreement shall be final and conclusive according to its terms;** and except upon a showing of fraud or malfeasance or a wilful misrepresentation of a material fact, (i) such agreement shall not be reopened as to the matters agreed upon, and shall not be modified by any officer, employee, or agent of the United States; and (ii) **such agreement and any determination made in accordance therewith shall not be annulled, modified, set aside, or disregarded in any suit, action, or proceeding.**

(5) Any contractor or subcontractor who holds contracts or subcontracts, to which the provisions of this section are applicable, may file with the Secretaries of all the Departments concerned statements of actual costs of production and such other financial statements for any prior fiscal year or years of such contractor or subcontractor, in such form and detail, as the Secretaries shall

prescribe by joint regulation. Within one year after the filing of such statements, or within such shorter period as may be prescribed by such joint regulation, the Secretary of a Department may give the contractor or subcontractor written notice, in form and manner to be prescribed in such joint regulation, that the Secretary is of the opinion that the profits realized from some or all of such contracts or subcontracts may be excessive, and fixing a date and place for an initial conference to be held within sixty days thereafter. If such notice is not given and renegotiation commenced by the Secretary within such sixty days the contractor or subcontractor shall not thereafter be required to renegotiate to eliminate excessive profits realized from any such contract or subcontract during such fiscal year or years and any liabilities of the contractor or subcontractor for excessive profits realized during such period shall be thereby discharged.

(6) This subsection (c) shall be applicable to all contracts and subcontracts hereafter made and to all contracts and subcontracts heretofore made, whether or not such contracts or subcontracts contain a renegotiation or recapture clause, unless (i) final payment pursuant to such contract or subcontract was made prior to April 28, 1942, or (ii) the contract or subcontract provides otherwise pursuant to subsection (b) or (i), or is exempted under subsection (i), of this section 403, or (iii) **the aggregate sales by the contractor or subcontractor**, and by all persons under the control of or controlling or under common control with the contractor or subcontractor, under contracts with the Departments and subcontracts

thereunder do not exceed, or in the opinion of the Secretary concerned will not exceed, \$100,000 for the fiscal year of such contractor or subcontractor.

No renegotiation of the contract price pursuant to any provision therefor, or otherwise, shall be commenced by the Secretary more than one year after the close of the fiscal year of the contractor or subcontractor within which completion or termination of the contract or subcontract, as determined by the Secretary, occurs."

According to the Act, "excessive profits" is that amount reached as the result of "renegotiation", which in turn is the "refixing of the contract price." The Act provides for the insertion in contracts of provisions for the repayment by the contractor to the United States of any "excessive profits" not otherwise eliminated; for the "renegotiation of the contract price" at a period of time when "the profits can be determined with reasonable certainty" and for the "repayment" to the United States of the amount of "any reduction in the contract price."

The Act further provides that upon renegotiation, a Secretary is authorized to "eliminate any excessive profits" in several distinct manners:

1. By reduction of the contract price if the same has not been paid;
2. By withholding from amounts otherwise due the contractor "any amount of such excessive profits";
3. By directing a contractor to withhold for the account of the United States, from amounts

otherwise due the subcontractor, "any amount of such excessive profits" under the subcontract;

4. By recovery from the contractor by repayment, credit or suit "any amount of such excessive profits actually paid". In conferring authority of the Secretary to sue, the authority is limited to "recovery from such contractor or subcontractor, any amount of such excessive profits actually paid to him."

It should be noted that the Act provides that all money recovered by way of repayment or suit is to be covered into the Treasury as miscellaneous receipts and not credited back to any expenditures made by the Department.

Throughout the Act, the purpose is **limited to the elimination of excessive profits and to the payment to the United States of the amount of such excessive profits and no more.**

In the Renegotiation Act of 1943, drastic changes were made in the procedure, but **the Act is again limited solely to excessive profits.** The Act sets up a War Contracts Price Adjustment Board for the purpose of determining the excessive profits in the place of the Secretary in whom was vested such power by the prior Acts.

Sec. 403(a) (D) provides for the recomputation of a renegotiation order and that by such recomputation there shall be repaid by the **United States (without interest)** to the contractor, the amount of the net renegotiation rebate computed as in said section provided.

Sec. 403(b) provides for the insertion of certain provisions in contracts and subcontracts, all relating to the elimination and reduction in the contract price, or repayment to the United States, of any **excessive profits received**.

Sec. 403(c) (1) provides that any order of the Board determining excessive profits shall be final and conclusive and not subject to review by any Court in the absence of filing a petition with the Tax Court of the United States.

Sec. 403(c) (2) provides for the same methods of eliminating excessive profits as is contained in the Act of 1942.

Sec. 403(e) (1) provides that "the filing of a petition under this section (with the Tax Court) shall not operate to stay the execution of an order of the Board."

Sec. 403(e) (2) provides that under orders of renegotiation made under the Act of 1942, an aggrieved contractor may file a petition with the Tax Court of the United States for a redetermination thereof.

Sec. 403(e) (2) (B) provides that renegotiation can take place on all contracts entered into as late as six months following June 30, 1945 or until such time as the President or the Congress may proclaim the termination of hostilities.

The Supreme Court of the United States, in the cases of *Lichter, et al., v. United States*, U.S., 92 L. ed. Ad. Op. 1260, has analyzed the Act and at great length set forth the exigencies of war leading

to its adoption, the purposes sought to be attained thereby, the reasons and necessities for its adoption and the rights of contractors and the Government thereunder. Before proceeding to further argument we set forth some of the pertinent language of the Court's opinion.³

In Footnote 6 to the opinion (p. 1271) a portion of Senator Harry S. Truman's Committee Report as to the reasons for adopting Renegotiation, in place of some other form of letting contracts, is set forth as follows:

"To obtain speed we have had to use contracting methods that would never have been tolerated in peacetime. We granted cost-plus-fixed-fee contracts where specifications were not known or had to be subject to numerous changes or where there was no time to prepare detailed specifications. We also granted lump-sum contracts for many items which had never before been made in quantity and for which estimates of cost were mere guesses. This was especially true of the billions of dollars of war contracts which were hastily 'shoveled' out early in January 1942."

In the same Footnote and still quoting from the same Report it is stated (p. 1272):

"Accordingly, advance prices quoted in good faith by manufacturers in a large number of cases have little relation to costs actually experienced in the course of production."

³Page references to the *Lichter Case* are to the report in 92 L. ed. Advance Opinions. All emphasis appearing in any quotations in the Brief have been supplied by the writers.

On page 1275 of the opinion, the Court points the reasons why Renegotiation was for the benefit of both parties as follows:

“The demands for war equipment and supplies were so great in volume, were for such new types of products, were subject to so many changes in specifications and were subject to such pressing demands for delivery **that accurate advance estimates of cost were out of the question.** * * * Congress sought to do everything possible **to retain and encourage individual initiative** in the world-wide race for the largest and quickest production of the best equipment and supplies. **It clung to its faith in private enterprise.** The problem was to find a fair means of compensation for the services rendered and the goods purchased. * * * However, experience with these alternatives convinced the Government that contracts at fixed initial prices still provided the best incentive to production.”

In dealing with the advisability of Renegotiation over all other types of contracts the Court states at p. 1277:

“The plan proved itself readily adaptable to the needs of the time. **It called for initial contract estimates** based upon the best available information at the time of entering into the contracts. Production proceeded at once on the basis of those estimates. **Many factors were incapable of exact determination.** The final net compensation, however, resulted from a **renegotiation made after both parties had had the benefit of actual experience under the contract.**”

On page 1279 the Court, in other language, sums up the matter as follows:

“There was no express definition of the term ‘excessive profits’ in the Original Renegotiation Act. However, in its § 403 (b), there was a relevant statement in connection with the renegotiation clauses required to be inserted in future contracts for an amount in excess of \$100,000 each. The Secretary was required to insert in such contracts, thereafter made by his Department, ‘a provision for the renegotiation of the contract price at a period or periods when, in the judgment of the Secretary, the profits can be determined with reasonable certainty; * * *.’ Contractors were also to be required to insert a like provision in their subcontracts. **This statement indicated a relationship between current ‘excessive profits’ and those which later might be determined with ‘reasonable certainty.’**”

Many other portions of the Opinion might be quoted to the same effect.

To the foregoing must be added the undisputed fact that the Renegotiation Act neither prohibits nor makes unlawful the making of contracts for war material between individuals or an individual and the Government; it does not prohibit or make unlawful the charging of any initial price the parties may agree upon in such contracts; it does not prohibit or make unlawful the receiving of any profit whether large or small under such contract; it does not declare that any such contracts shall be unlawful or unenforceable between the parties (Cf. *Panama Refining Co. v. Ryan*, 293, U.S. 388, 79 L. ed. 446.)

In fact, as stated in the *Lichter case*, the prompt entering into and execution of such contracts was the end sought to be attained by the Act. Private enterprise was to be encouraged and the necessities of war brooked no quibbling over initial price or delay attendant upon such quibbling. The parties were to enter upon and execute their contracts based upon a tentative estimate agreeable to both parties and to be made certain at some later date when conditions were such that the tentative estimate could be reformed into a certain and proper one.

Furthermore, the opinion of the Supreme Court demonstrates that the Act was not a remedy for fraud. The fraud statutes of the United States were adequate to cover any such situation. The Act did not seek to impose any penalty upon any manufacturer or supplier of goods and services to the Government because an initial estimate was subsequently found to be excessive. The Act was a mere procedure whereby that which originally was indefinite and uncertain could subsequently be made definite and certain. If, in the light of subsequent events and knowledge, the original estimate was too high then, as stated in the Act, there was to be a "refixing by the Secretary of the department of the contract price." The Supreme Court's opinion points out that there were many other ways tried and discarded by the Government for the letting of contracts and that renegotiation was the only one that was fair to both parties. The Truman Report was not dealing with fraudulent estimates but with "advance prices quoted in good faith", and there has

never been any contention in the instant cases but what the compensation received by appellants herein was based upon initial prices quoted in good faith. Such profits were reported as income and the requisite income tax paid thereon.

Summed up, the **Renegotiation Act** was not enacted for the purpose of imposing any penalty of any kind on any person directly or indirectly contracting with the **Government**. The Act, in express terms and as construed by the Supreme Court, had no other object than to reimburse the Government for any profits received by a private citizen which, on an analysis made months after the original contract was entered into, was found to be out of proportion to services rendered or goods manufactured or supplied.

To add to the amount of such sum that has been determined to be excessive profits interest thereon, is in effect to add a penalty to those private firms and individuals who exerted their best efforts to speedily supply the **Government** with the munitions of war.

There are other reasons, disclosed on the face of the Act, why interest cannot be allowed on orders determining excessive profits. We here state a few of such reasons.

In the Renegotiation Act of 1943 there is a provision for the recomputation of a prior renegotiation order (Sec. 403 (a) (D) wherein it is provided that if on such recomputation a rebate is to be given to the individual, the United States shall pay such rebate without interest.

In the case of *Jackson County v. United States*, 308 U.S. 350, 84 L. ed. 313, the United States brought suit against the County Commissioners of Jackson County, Kansas, to recover taxes paid by the United States on behalf of an Indian, together with interest on such taxes. In a treaty with the Indians it was provided that lands held in trust by the United States for such Indians should be exempt from taxation. Jackson County levied and collected taxes upon this land. The original judgment was in favor of the United States for the recovery of such taxes together with interest thereon. The Supreme Court held that the United States could not recover such interest. On p. 352 of the United States Reports, the Supreme Court states:

“The cases teach that interest is not recovered according to a rigid theory of compensation for money withheld, but is given in response to considerations of fairness. It is denied when its exaction would be inequitable. *United States v. Sanborn*, 135 U.S. 271, 281, 34 L. ed. 112, 115, 10 S. Ct. 812; *Billings v. United States*, 232 U.S. 261, 58 L. ed. 596, 34 S. Ct. 421.”

In the concurring opinion of Mr. Justice Black (p. 354) he states:

“That Congress contented itself with the creation of the right to be free from taxation—as distinguished from a right to interest in a suit for refund—is emphasized by the conclusion which would be inescapable were this a suit against the United States for violation of the exemption here conceded to be binding on it. Without more, Congress would then—even on the basis of this con-

cession—be deemed to have refused to create the separate right to recover interest.”

As the Government would not be chargeable with interest in a suit brought by an individual to recover such renegotiation rebate, the Government cannot recover interest in a suit to recover excessive profits.

The various methods provided in the Act for the elimination of any excessive profits likewise leads to the conclusion that interest cannot be collected on the order determining excess profits from the date of said order to the time of judgment, where suit for collection is instituted by the United States.

According to the Act, the Government had the right to eliminate such profits (1) by withholding from amounts otherwise due the contractor, any amount of such excessive profits; (2) by in effect levying an attachment or execution on a debtor by directing a prime contractor to withhold for the account of the United States out of sums due to the person charged with excessive profits “any amount of such excessive profits.” The Act does not direct that the Government can withhold from amounts otherwise due to the contractor “any amount of such excessive profits” plus interest thereon from the date of the order adjudicating excessive profits. Neither does the Act provide that the Government may order a debtor of the person charged with excessive profits to withhold for the account of the United States “any amount of such excessive profits” plus interest thereon from the time of the making of the order. Neither does the Act pro-

vide that in any suit brought by the Government to collect excessive profits that interest may be charged from the date of the making of the order; the Act provides that the Government may only recover "any amount of such excessive profits actually paid to him."

As the Act is explicit in limiting the right of the Government, in eliminating excessive profits, to the collection by suit or withholding or collection from a debtor of the amount of the excessive profit, the Congressional intention is clearly expressed that nothing else shall be recovered.

If resort to any of the measures provided for in the Act, other than suit for the elimination of such excessive profits, does not carry with it the right to interest, then where suit is brought, to allow interest on the order from the time of its making to the date of judgment would be in effect to allow interest upon interest; because once the amount of interest is reduced to judgment, it in turn bears interest until the judgment is paid. Interest upon interest cannot be allowed unless the contract expressly provides therefor or the same is authorized by a statute to that effect. (*Cherokee Nation v. United States*, 270 U.S. 476, 490, 70 L. ed. 694, 700.)

An added reason why interest was not contemplated by the Act is found in the provision that even excessive profits cannot be recovered from anyone whose contracts, in the aggregate, for any fiscal year, did not exceed \$100,000. In such event the contractor may have had a net profit of 99% and yet no portion

thereof could be recovered by the Government; while a contractor who had done a million dollars worth of business may have made only 5% net profit and still such sum could be found by a Secretary to be excessive in part. To allow the Government to recover not only the amount determined to be excessive profits in the latter case but also to collect interest thereon could very easily result in depriving the contractor of any profit at all. Such was not the purpose or intent of the law.

Lastly, and for a reason to be argued more fully under the next succeeding heading, the recovery of excessive profits does not fall into that category of obligations which must forthwith be paid to the Government in order that the Government may carry on its fiscal affairs. By the very terms of the Act, renegotiation does not require payment to the Government of any excessive profits during the period that warfare is actually being conducted; the Act permits of such renegotiation for a period long after the cessation of actual warfare and during the time "that competitive conditions have not been restored." (Act of 1943, Sec. 403(e) (2) (B)).

2. AN ORDER DETERMINING EXCESSIVE PROFITS IS NEITHER THE KIND NOR CHARACTER OF INDEBTEDNESS DUE THE UNITED STATES THAT BEARS INTEREST.

The law in the Federal Courts, as to the allowance of interest on indebtedness owing the United States, differs from the law of the States in that the Federal

Courts do not follow the rule that interest can only be allowed when provided for by statute. In place of the rule that interest is a creature of statute the Federal Courts have adopted an equitable doctrine as follows:

“The cases teach that interest is not recovered according to a rigid theory of compensation for money withheld, but is given in response to considerations of fairness. It is denied when its exaction would be inequitable.”

Jackson County v. United States, 308 U.S. 350; 353; 84 L. ed. 313.

The foregoing rule has been applied by the Supreme Court in the recent case of *Rodgers v. United States*, (decided October 17, 1947) 92 L. ed. Ad. Opinions, 64, by holding that a test of whether interest should be allowed to the United States prior to judgment is whether the money due was necessary to the United States on a particular date to meet its estimated expenditures. The Court states, on page 66:

“The contention is hardly supportable that the Federal Government suffers money damages or loss, in the common law sense, to be compensated for by interest, when one convicted of a crime fails promptly to pay a money fine assessed against him * * *; unlike a tax, it does not rest on the basic necessity of the Government to collect a carefully estimated sum of money by a particular date in order to meet its anticipated expenditures.”

As pointed out under the preceding heading, there is nothing in the Renegotiation Act leading to the conclusion that it was necessary for the Government

to immediately collect any amount determined by such administrative order in order to meet its anticipated expenditures, or that such amount was a carefully or otherwise estimated amount necessary for such future expenditures. On the contrary, the wording and procedure of the Act negative such conclusion.

The Act sets up the following procedure and states the times in which each step is to be taken:

(1) Renegotiation is not to start until a Secretary is of the opinion that some contractor has realized excessive profits; (Sec. 403 (c) (1));

(2) The Secretary is then to notify the contractor to "renegotiate the contract price". (id.);

(3) Within **one year** after the filing of certain financial statements by the contractor, or within such shorter period as may be prescribed, "the Secretary of a Department may give the contractor or subcontractor written notice * * * that the Secretary is of the opinion that the profits realized from some or all of such contracts may be excessive, and **fixing a date and place** for an initial conference to be held within **sixty days thereafter.**" (Sec. 403 (c) (5));

(4) No renegotiation of the contract price * * * shall be commenced by the Secretary **more than one year after** the close of the fiscal year of the contractor or subcontractor within which completion or termination of the contract or sub-contract, as determined by the Secretary, occurs. (id.)

The foregoing is certainly not consistent with the claim that any amount determined to be excessive

profits constitutes a "basic necessity of the Government to collect a carefully estimated sum of money by a particular date in order to meet its anticipated expenditures."

3. THE ALLOWANCE OF INTEREST PRIOR TO JUDGMENT WOULD BE INEQUITABLE.

It is held in *Jackson County v. United States*, supra, that interest is "given in response to considerations of fairness" and "It is denied when its execution would be inequitable". Applying this rule to the cases at bar results in the conclusion that the allowance of interest prior to judgment is unfair and inequitable.

Until the Supreme Court spoke in the *Lichter* case, many legal minds throughout the Nation were of the opinion that the Renegotiation Acts were unconstitutional and numerous actions were filed in the various Courts seeking injunctions, declaratory relief and other remedies based on such opinions and contentions. Several of these cases found their way to the Supreme Court and that Court disposed of the cases without passing on the constitutionality of the Acts. (*Aircraft & Diesel Equip. Corp. v. Hirsch*, 331 U.S. 752; *Macaulay v. Waterman S.S. Co.*, 327 U.S. 540; *Mine Safety Co. v. Forrestal*, 326 U.S. 371).

In the instant cases the appellants resisted the complaints on numerous specifications as to the Acts being unconstitutional.

That the claims going to the constitutionality of the Acts were advanced in good faith and merited supreme

judicial interpretation and decision is evidenced (1) by the fact that the Supreme Court granted *certiorari* in three such cases, and (2) by the very lengthy opinion filed by the Supreme Court when it determined the Acts to be constitutional.

There has never been any claim—as indeed there could not be—that appellants' refusal to abide by the orders of the Under Secretary of War was prompted by any evil motives or by any desire to defraud the Government, or by any motive other than a firm belief that the orders violated the Constitution.

In addition there is the fact, well known to the Government and its representatives, that the enforcement of Renegotiation determinations is resulting in the virtual bankruptcy of those called upon to pay. The so-called excessive profits have been lawfully expended, in many instances by using them for the expansion of plants and the installing of new machinery to meet the demands of the Government for speedier and greater production. Now, such machinery and expansion is worth no more than junk on the market.

To allow interest on the determinations of the Secretary prior to judgment, results in cutting down the profits that under the law appellants were entitled to receive and, in many instances, in wiping out of such profits in full.

To allow such interest would be inequitable and unjust.

In *Sheppard v. Taylor*, 5 Peters 675, 8 L. ed. 269, sailors, who embarked on a lawful voyage but which was turned into an unlawful one for which they were imprisoned, sued to recover their wages. In upholding their right thereto, the Court held they were **not** entitled to interest for the following reason:

“In respect to the claim of interest made by the libelants, we are of opinion that under the peculiar circumstances of this case, none ought to be allowed upon the wages, except for the period of time which has elapsed since the petition was filed against the assignees and owners on the 1st of December, 1825. **The previous delay was * * * under circumstances of so much doubt as to the nature and extent of the claim, as ought to preclude any claim for interest.**” (8 L. ed. at 283)

Compare *Silsby v. Foote*, 61 U.S. 378, 15 L. ed. 953 and *Crosby Valve Co. v. Consolidated Valve Co.*, 141 U.S. 441, 35 L. ed. 809, where suits were instituted for the infringement of a patent. The Court in each case held that there was an infringement and plaintiffs were entitled to damages to the extent that profits had been realized by defendants in the use of the patents; but that **interest could only be allowed from the time it was judicially determined** that such infringement occurred.

So here, until the Court determined that the Act was valid and the excessive profits were collectible by the Government, no interest should be allowed.

CONCLUSION.

For each and all of the foregoing reasons the judgment should be modified by striking therefrom all allowance of interest prior to judgment.

Dated, San Francisco,

December 20, 1948.

Respectfully submitted,

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Nos. 11,648 and 11,649

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

E. L. EASON, JR.,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee,

and

E. L. EASON, JR., FLORA RUTH EASON and LEWIS C. EASON, as Trustee of the Estate of Mildred Eason Stouffer, co-partners doing business as Eason Grinding Company,

Appellants,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPELLEE'S BRIEF.

FILED

JAN 29 1949

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Appellants,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPELLEE'S BRIEF.

Jurisdictional Statement.

Jurisdiction of the District Court is established by Section 24 of the Judicial Code, as amended (28 U. S. C., 41), and by the provisions of Section 403(c) of the Renegotiation Act.

Jurisdiction of this Court is established by the provisions of Section 28, U. S. C., 225.

Appellee brought separate actions in the District Court pursuant to Section 403(c) of the Renegotiation Act to recover amounts which the Under Secretary of War, acting under and by virtue of the Renegotiation Act, had duly determined to be excessive profits realized by the defendants during each of the fiscal years ended 1942 and 1943. After a trial on the merits, judgment was rendered against the defendants for the principal amounts and interest as prayed for in each Complaint. Interest in each case was computed at the rate of six per cent per annum from and after the date of determination by the Under Secretary of War of the principal amount due to the date of entry of judgment. [R. 16 and 40.]

Statement of the Case.

The statement of the case contained in Appellants' Brief, from pages 3 to 6, is fair and accurate and is adopted by Appellee.

Question Presented.

The sole question on each appeal is whether the District Court erred in allowing the United States interest on the balance determined by the Under Secretary of War to be due pursuant to the Renegotiation Act.

Argument.

The precise question presented and argued by the Appellants herein was decided by this Court in the case of *Sampson Motors, Inc.*, No. 11644, decided June 21, 1948 (168 F. 2d 878), which upheld the judgment of the District Court allowing interest on the balance found due the United States after tax allowance resulting from renegotiation of war contracts.

It is submitted that the decision of this case is controlled by the opinion in the *Sampson* case.

Respectfully submitted,

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No. 11650

United States
Circuit Court of Appeals
For the Ninth Circuit.

H. W. FOWLER and U. Z. FOWLER,
Appellants,
vs.

CROWN-ZELLERBACH CORPORATION,
Appellee.

Transcript of Record

Upon Appeal from the District Court of the United States
for the District of Oregon

FILED
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PAUL P. O'BRIEN,
CLERK

No. 11650

United States
Circuit Court of Appeals
For the Ninth Circuit.

H. W. FOWLER and U. Z. FOWLER,
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for the District of Oregon

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In the District Court of the United States
For the District of Oregon

No. Civ. 2734

H. W. FOWLER and U. Z. FOWLER,
Plaintiffs,

vs.

CROWN-ZELLERBACH CORPORATION,
Defendants.

COMPLAINT
ACTION AT LAW FOR DAMAGES, ETC.

Plaintiffs complain against the defendant and for their first cause of action allege as follows:

I.

That plaintiffs are husband and wife and are citizens and residents of the State of Oregon, and that the defendant is a corporation organized, licensed and existing under and by virtue of the laws of the State of Nevada; and that there is a complete diversity of citizenship existing between the plaintiffs and the said defendant.

II.

That these plaintiffs are the owners, as tenants by the entirety, of a parcel of land comprising approximately 16.25 acres, abutting upon Lake Tahkenitch, in the County of Douglas and State of Oregon, and have there invested a large amount of

money with the purpose of operating the said property as a recreational resort. That the chief assets of the said property as a recreational resort and for the successful operation of that business lie in the facts that the said property is on the said lake front; that by reason of the location thereof on said lake it gets the benefit of the beauties of the lake and the shorelines thereof; that the said lake is, under normal conditions, an excellent fishing and boating lake, ideal for both purposes, with great quantities of tule beds lying along the margins of said lake, and that said property is also adjacent to the ocean beach, being approximately one mile therefrom, and that under normal conditions the beach and the approaches thereto from the outlet of said lake are beautiful and attractive; and that also there is adjacent to the highway that passes immediately by the entrance to plaintiffs' said property a public boat landing in the U. S. Forest Reserve, at which boats navigating the said Lake Tahkenitch can land, and adjacent to which boat landing there is convenient level space for the parking of motor vehicles.

III.

That these plaintiffs obtained their said title to said property by mesne conveyances from the said defendant, which, under date of January 10, 1938, conveyed the said real property by special warranty deed to Ross R. Dean and G. M. Dean, brothers, of Gardiner, Douglas County, Oregon, which said deed was duly recorded in Volume 99 of the Deed Records for Douglas County, Oregon, at page 253. That

the said defendant sold and conveyed the said real property to the said Dean brothers as and for a recreational resort and charged and received from the said vendees a price commensurate with the value of said property for adaptation to that purpose, charging and receiving for said real property from said vendees the full sum of \$9,500.00. That in the said transaction between the said defendant and said Dean brothers it was contemplated and understood between the parties thereto that the said property conveyed by said deed was to be used as a recreational resort and would be kept in a condition attractive to tourists and others seeking recreation at a resort having the advantages of a fresh water lake of great beauty, ideal for fishing and boating, and also convenient to a beautiful ocean beach.

IV.

That in the early summer of 1944 these plaintiffs opened their said property for business as a recreational resort, but that for some time prior thereto it had been becoming increasingly apparent that the defendant was attempting to force plaintiffs to discontinue the maintenance of their said property as a recreational resort, and were seeking to "step up" a logging operation which was being conducted by the defendant in that vicinity and was determined to have no interference with said logging operation or any delay or stoppage thereof that might or could result from reasonable efforts on its part to keep the said lake in a fairly navigable condition for rowboats and power boats and in a

fairly good condition as a fishing lake, and the lake, the lake outlet, and the ocean beach in a reasonably attractive condition as a recreation area, for which purpose said area had been set apart by the National Forest Reserve, and which condition obtained at the time the Dean brothers purchased from Crown-Zellerbach Corporation and continued down to and including the time when plaintiffs became the owners of said real property. That in this regard defendant Crown-Zellerbach Corporation in its said logging operation had been falling, and continued to fall, trees directly into the said lake, destroying the tule beds along the margins of the said lake, which tule beds were and are necessary to the reasonable fish feeding and propagation and spawning of fish in said lake; had been sawing logs in the lake, permitting the sawdust and pitch and other saps from the tree trunks to mix with the waters of the lake, also to the detriment of fish life in said lake; had strung logging cables across the lake with one end attached to a donkey engine and the other anchored on the opposite side of the lake so that when the line would slacken most thereof would lie beneath the surface of the water, but upon being tautened by the drum of the donkey engine would rise with great force out of the water, falling again, and thereby constituting such a menace to safety as to keep fishermen and others from seeking to navigate the lake, either in rowboats or power boats; had installed boom sticks in the lake for booming logs at various places thereof, leaving the same without any lights or other warnings for the safety of per-

sons who might be navigating the lake in boats in the nighttime, or might desire to do so; had permitted numerous "flotus" from their logging operations to go out upon the surface of the lake in various places, some partially and some almost completely submerged (depending upon individual weight and floatability) whereby boating on the lake, either for fishing or for pleasure riding, was and is rendered extremely dangerous; had so conducted their said logging operations that the unboomed logs and snags, tree tops and other debris from said logging operations customarily floated into and blocked boat passages provided in bridge trestling crossing the lake, so that boats were and are unable to pass from one side of the trestles to the other, thereby making impossible the complete and satisfactory navigation of the lake; had "swamped" many fallen trees in the lake, permitting the slashings from such swamping operations to float about the lake and to lodge along the margins of the lake, and finally to drift, together with old snags, limbs, stumps and other debris resulting from the said logging operations of said defendant, down into the channel of said lake's outlet to the ocean, there to be scattered about in an unsightly "mess" upon the beach and upon the lands adjoining the said outlet, all of which were, and except for the action of the defendant still would be, of great beauty, and a valuable adjunct to plaintiffs' said property as a recreational resort; and have commenced and are constructing an un-

sightly logging camp immediately adjoining said property of these plaintiffs, and somewhat below the grade of the cottages standing upon the property of these plaintiffs, [By order 9/10/45 VOB] and have commenced and are constructing an unsightly noisy logging camp immediately adjoining said resort property of these plaintiffs, and somewhat below the grade of the cottages standing upon the property of these plaintiffs, and have installed thereon a work-shop for repairing heavy machinery and which operates a trip-hammer with action so violent as to vibrate cabins on plaintiffs' said property, and has and did ostentatiously cut down the fringe of trees which served as a natural screen or partial screen, and the sole barrier that would have tended to obscure the obnoxious view of said camp from the property of these plaintiffs, and that, to some extent, would have preserved the naturally beautiful setting of plaintiffs' said property; that these plaintiffs are informed and believe, and therefore do allege and say on such information and belief, that the said camp is constructed and being constructed in such manner that the sewage therefrom empties directly into the lake and close to the swimming float on plaintiffs' property. Also in the conduct of its said logging operation said defendant operates a number of tugs and launches on said lake, and in the operation thereof runs said tugs, etc., at such a speed by and adjacent to plaintiffs' said property that the swimming floats and other improvements built by plaintiffs along the shore line of their property have been and are being grievously

injured and weakened by the force of the water and wash thereof by the said tugs when speeded past said floats. That said injury has been so great that some of the logs under said floats have been loosened and displaced and the diving tower heretofore maintained by plaintiffs on one of the said floats was so wrecked and weakened that it was recently blown over, all to plaintiffs' great damage. Also that said defendant, by threats that it intended to "get" the plaintiff H. W. Fowler, and by reason of a violent assault and battery committed by said defendant through one of its agents upon both of the plaintiffs and upon a guest in the house of the plaintiff, has made it appear unsafe that the plaintiffs should even remain on the said premises; and the plaintiffs, each for himself or herself, and each for the other, stand in fear that the defendant will cause great bodily harm to come to one or both of said plaintiffs. That said acts of said defendant continue unabated, and the inevitable destruction thereby of plaintiffs' said investment is the deliberate purpose of the said defendant.

V.

That by reason of the facts hereinbefore set forth said property of the plaintiffs has been and is rendered of little or no value as a recreational resort, and plaintiffs have lost [By Order 6/22/45 VOB] and will lose much of the normal income therefrom all to plaintiffs' damage in the full sum of \$50,000.00; and that the said facts hereinbefore alleged constitute a private nuisance which these plaintiffs claim the right to have abated in the manner provided by law. That said defendant's said

conduct was and is malicious and wanton, and in some respects criminal, by reason of which it should be required to pay punitive damages in the further sum of \$100,000.00.

As a second cause of action against the said defendant plaintiffs affirmatively allege:

I.

Re-affirm and re-allege Subdivisions numbered I, II and III of the first cause of action in this complaint, making the same by this reference a part and parcel of this second cause of action.

II.

That adjacent to the said property of these plaintiffs there has heretofore been set apart by the Forest Service of the United States of America a recreational area which includes thereon a public boat landing on Lake Tahkenitch, with parking space for automobiles and other vehicles by which boats may be brought to the said lake, or in which people may come to make use of the boating facilities and fishing facilities on said lake. That while the said landing is a public boat landing and is in general use by the public, including some people who reside on or near the said Lake Tahkenitch, and including others who come there habitually for fishing and boating, the destruction or rendering useless of said boat landing and said parking space and said portion of said recreational park is especially injurious to these plaintiffs, and they suffer special and extraordinary damage from the destruction or impairment thereof by reason of the fact that they own

the property acquired by them by mesne conveyances from the defendant corporation, which property is fitted and designed to be used as a recreational resort, and the said boat landing and the said parking facilities adjacent thereto were and are of great value to these plaintiffs as an adjunct to the use of their said property as a recreational resort.

III.

That plaintiffs are informed and believe, and therefore do allege and say, that the defendant has obtained from the Forest Service of the United States a special permit to install a log-dump at or near the present location of the said public boat landing, and is now in process of preparing the said property at said place for use as a log-dump to be used by the defendant in connection with its logging operations in that vicinity.

IV.

That the logging operations of said defendant at that point are of great proportions, and the use of said place and property as a log-dump for defendant's said logging operations will render the said public boat landing and the said parking space so dangerous that it will be of no use whatever to the public, to which public these plaintiffs belong, and that these plaintiffs will be peculiarly injured and damaged by the installation of the log-dump at said place by reason of the fact that they are the owners of the said recreational resort property heretofore mentioned and referred to, the value of which is

greatly enhanced by the public boat landing facilities heretofore existing on the government reserve adjacent to plaintiffs' said property.

V.

That the installation of said log-dump at the place selected by defendant and provided for in the special permit issued by the Forest Service hereinbefore mentioned and referred to, will result in special injury to plaintiffs as aforesaid, to their damage in the full sum of \$10,000.00, and will constitute a nuisance which plaintiffs claim the right to have abated in the manner provided for by law.

Wherefore plaintiffs demand judgment against the defendant on their first cause of action in the full sum of \$150,000.00; and on their second cause of action in the full sum of \$10,000.00; and also for their costs and disbursements herein. And these plaintiffs reserve the right to move the Court for an order allowing a warrant to issue, directing the abatement of the private nuisance described in plaintiffs' first cause of action, and also for the abatement of the nuisance described in plaintiffs' second cause of action.

/s/ HOY & PRAG,

Attorneys for Plaintiffs.

[Endorsed]: Filed April 3, 1945.

State of Oregon,
County of Douglas—ss.

I, H. W. Fowler, being first duly sworn, depose and say that I am one of the plaintiffs in the above-entitled cause; and that the foregoing Complaint is true, as I verily believe.,

/s/ H. W. FOWLER.

Subscribed and sworn to before me this 2nd day of April, 1945.

[Seal] /s/ M. F. WRIGHT,

Notary Public for the State
of Oregon.

My commission expires April 21, 1945.

[Title of District Court and Cause.]

AMENDED ANSWER TO FIRST CAUSE
OF ACTION

Comes now the defendant and for its amended answer to the first cause of action as set forth in the complaint herein admits, denies and alleges:

I.

Admits the allegations of paragraph I thereof.

II.

Answering paragraph II thereof admits that the plaintiffs are the owners by the entirety of a parcel of land comprising approximately sixteen (16) acres, abutting upon Lake Tahkenitch, Douglas

County, Oregon, and have there made investments for the purpose of operating said property as a recreational resort, but this defendant alleges that such investments were also made for the purpose of operating said property as an auto court and as a motel; admits that one of the assets of said property as a recreational resort is the fact that said property is located on said lake, and by reason of such location said property is benefited; admits that said lake is now, and for many years last past has been, a lake upon which boats may be operated and fishing may be followed; admits that tule beds are located along certain of the shore lines of said lake and that the property is approximately one mile from the ocean beach but with reference to the proximity of said property to the ocean beach this defendant alleges that the said beach is not visible from said property and that said beach can be reached only by arduous trudging over soft sand dunes; and admits that adjacent to the coast highway, which passes immediately by the entrance to said property of the plaintiffs, there is a boat landing in the U. S. Forest Reserve, at which small boats may be launched into said lake or taken from said lake, and that adjacent to said boat landing there is now, and for some time has been, a convenient level space for the parking of motor vehicles.

III.

Answering paragraph III thereof admits that the plaintiffs obtained title to said property by mesne conveyances from the defendant, which, under date

of January 10, 1938, conveyed the said real property by special warranty deed to Ross R. Dean and G. M. Dean, brothers, of Gardiner, Douglas County, Oregon, which said deed was duly recorded in Volume 99 of the Deed Records for Douglas County, Oregon, at page 253.

IV.

Answering paragraph IV thereof admits that the plaintiffs in 1944 operated said property as a recreational resort but alleges also that the plaintiffs operated said property in 1944 as an auto court and motel; admits that the defendant conducted its logging operations upon the shores of said lake but alleges that the defendant so conducted its logging operations in a proper, reasonable, lawful and workmanlike manner; admits that in such conduct of its logging operations around, in and upon said lake the defendant did at times operate a log cut-off saw but alleges that the operation of said saw was warranted and reasonable in the conduct of said logging operations and that any sawdust from said sawing operation was in a trifling and inconsequential amount and in no way adversely affected the plaintiffs in the use and operation of their said property; admits that in such logging operations the defendant, at times, stretched logging cables across the narrowed areas of said lake and, in the reasonable and proper operation of said cables, the same would be tautened so as to raise such cables from the waters of said lake and, upon the release of said cables, the same would drop into the waters of said

lake; admits that the defendant installed boom sticks in said lake for the booming and holding of logs and admits that such boom sticks were not lighted at night and alleges in that regard that the maintenance of such boom sticks was a proper, reasonable and lawful conduct of its logging operations and that there was no traffic upon such lake which would justify any lighting of such boom sticks; admits that logs of the defendant sometimes drifted in the waters of said lake but alleges in that regard that any such drifting of logs was brought about by the breaking up of log storage because of storms of unusual severity, and further alleges that the defendant, in the reasonable conduct of its operations immediately collected any such drifting logs and replaced the same in storage; admits that the defendant has cleared the outlet of said lake to the ocean and alleges that such clearance benefited the recreational and fishing possibilities of said lake; admits that the defendant cut down a fringe of trees located between the property of the plaintiffs and the logging camp of the defendant but alleges that such fringe of trees was cut down upon the express order of the Safety Division of the Industrial Accident Commission of the State of Oregon and that said Division, in issuing said order, was acting with authority under the statutes of the State of Oregon and that the defendant was required, under such statutes, to comply with said order; admits that the defendant in the conduct of its logging operations operated a small number of tow boats and launches upon said lake.

V.

Denies each and every allegation in said first cause of action contained except as hereinbefore or as hereinafter in the further and separate answer of this defendant may be expressly admitted, stated or qualified, which further and separate answer is, for the purpose of this denial, hereby referred to and made a part hereof.

AMENDED ANSWER TO SECOND CAUSE
OF ACTION

Comes now the defendant and for its Amended Answer to the second cause of action as set forth in the complaint herein, admits, denies and alleges:

I.

Answering paragraph I thereof reaffirms and re-alleges its answers to paragraphs I, II and III of the first cause of action of the plaintiffs as such answers are hereinbefore pleaded.

II.

Answering paragraph II thereof the defendant admits that adjacent to the property of the plaintiffs is an area over which the Forest Service of the United States of America has jurisdiction and which includes a public boat landing upon said lake, with parking space for automobiles and other vehicles.

III.

Answering paragraph III thereof the defendant admits that it has received from the Forest Service of the United States a permit to install a log-dump

in said area which is under the jurisdiction of said Forest Service and admits that it has constructed and is now operating said log-dump under and in accordance with the terms of said permit.

IV.

Denies each and every allegation in said second cause of action contained except as hereinbefore or hereinafter in the Further and Separate Answer of this defendant may be expressly admitted, stated or qualified, which Further and Separate Answer is, for the purpose of this denial, hereby referred to and made a part hereof.

FURTHER AND SEPARATE ANSWER

Comes now the defendant and for its Further and Separate Answer to each and both of said causes of action, alleges:

I.

That the defendant is a corporation of the State of Nevada and duly licensed and qualified to do business in the State of Oregon under the foreign corporation laws of the State of Oregon.

II.

That plaintiffs are husband and wife and own approximately sixteen (16) acres of land in Section 29, Township 20 South, Range 12 West of the Willamette Meridian abutting upon Lake Tahkenitch, Douglas County, Oregon, which said property was

acquired by said plaintiffs from C. H. Cook and wife by deed dated April 13, 1943.

III.

That the defendant and its predecessor in title have for more than ten years last past owned the lands which are adjacent to the shores of said lake; that said lands of the defendant were, when purchased by the predecessors of the defendant, covered with timber which was ripe for logging; that the defendant since 1937, and its predecessors in title before 1937, have been continuously engaged in the logging of said lands abutting upon said lake; that the defendant has universally conducted its said logging operations in a reasonable, warranted and lawful manner, and any conduct of such logging operations other than in a reasonable, warranted and lawful manner has been of isolated and infrequent occurrence and has not constituted any nuisance to the plaintiffs and has not caused the plaintiffs any damage.

IV.

That the plaintiffs, well knowing that the defendant had for many years been carrying on such logging operations and intended to continue to carry on such operations, did, in 1943, purchase said property with the intent of using the same as a recreational resort, as an auto court and as a motel.

V.

That the plaintiffs have not been legally damaged by any operations of the defendant and any damage which the plaintiffs may have suffered in their in-

vestment in, or in their income from said property and/or in the conduct of their said business in operating said property, has been solely and only due to two facts, to-wit:

(1) The gasoline shortage resulting from war restrictions which has markedly limited public travel to and from said properties of the plaintiffs; and

(2) The incompetent and bad management of the plaintiffs in the conduct of said business, particularly referring to (1) the continual opening and closing of the resort so that the public could not depend upon admittance to said resort, and (2) the manifestation of an antagonistic attitude toward the defendant and its employees which has resulted in driving away the custom and trade of many of the employees of the defendant who are there engaged in said logging operations and has alienated the custom and trade of the relatives, friends and acquaintances of such employees.

VI.

That the defendant has spent large sums of money in reforesting the logged-off land in the Lake Tahkenitch area, and it is the intent and purpose of the defendant, as a post-war activity when manpower and materials may be available, to reforest all of the logged-off lands in said area. That this defendant has never at any time pursued any course of conduct with a purpose of in any way or wise damaging the plaintiffs and has tended strictly to its own business in lawfully carrying on its logging operations.

VII.

That with reference to any assault and battery upon the plaintiff H. W. Fowler as alleged in Paragraph IV of the first cause of action, the defendant alleges that it is informed and believes that the plaintiffs refer to an assault and battery on July 4, 1944, made by Bert Ross upon the defendant Plaintiff [By order 6/22/45 VOB] H. W. Fowler and with reference to said assault and battery this defendant alleges:

(1) That such assault and battery was not made by said Ross within the scope of any agency relationship existing between the defendant and said Ross and was not authorized by the defendant either directly or impliedly and this defendant has no responsibility therefor; and

(2) That such assault and battery was justified and provoked by the conduct, threats and language of said H. W. Fowler with respect to the said Ross and his employment, and the plaintiffs should be and are estopped from making any legal complaint of that which was so justified and provoked.

Wherefore, this defendant demands judgment for its costs and disbursements herein.

/s/ CASSIUS R. PECK,
GRIFFITH, PECK, PHILLIPS
& NELSON,

Attorneys for Defendant.

[Endorsed]: Filed June 18, 1945.

[Title of District Court and Cause.]

SUPPLEMENTAL COMPLAINT

Come now the plaintiffs and pursuant to authority granted them in open court, supplement their second cause of action against the defendant, affirmatively alleging in connection therewith as follows:

I.

That since the commencement of the above-entitled action and prior to the filing of this Supplemental Complaint the log-dump at or near the present location of the public boat landing, referred to in subdivision III of plaintiff's second cause of action in their original complaint, has been completely installed and the defendant is using the same for dumping logs and is rafting the logs on the lake in front of the property of these plaintiffs and is pulling the said logs through the tule beds along the shores of the said lake.

That the said defendant installed said log-dump and is operating the same under a special permit from the Forest Service of the United States, which these plaintiffs are informed and believe, and, therefore, do allege and say grants the said special permit for the period of one (1) year with a provision that it may be renewed.

II.

That the operation of said log dump for said defendant's said logging operation has rendered, and will continue to render the said public boat landing

and the parking space adjacent thereto so dangerous that they are, and will be, of no use to the public; and that these plaintiffs are, and in the future will be, peculiarly injured and damaged by the said operation of said log dump at said place by reason of their ownership of the said recreational-resort property mentioned and referred to in plaintiffs' original complaint, and the value of which was greatly enhanced by the public boat landing facilities which existed on the Federal Government Reserve at or near said boat landing and adjacent to plaintiffs' said property.

III.

That by reason of the facts herein, and in plaintiffs' original complaint set forth in the second cause of action thereof, these plaintiffs have been, and are, damaged in the full sum of \$10,000.00.

Wherefore, these plaintiffs renew the prayer of their original complaint on file in the above-entitled Court and case.

HOY and PRAG,
Attorneys for Plaintiffs.

[Endorsed]: Filed June 29, 1945.

[Title of District Court and Cause.]

ANSWER TO SUPPLEMENTAL COMPLAINT

Comes now the defendant and for its Answer to the Supplemental Complaint herein admits, denies and alleges:

I.

Answering paragraph I thereof admits that the defendant has completely installed the log-dump referred to in said paragraph I and is using the same for dumping logs; admits that the defendant has installed said log-dump and is operating the same under a special permit from the Forest Service of the United States; admits that said permit is granted for a period from March 1, 1945, to February 29, 1946, and is subject to further extension if requested in writing.

II.

Denies each and every other allegation contained in said Supplemental Complaint except as hereinbefore may have been expressly admitted, stated or qualified.

Wherefore this defendant demands judgment for its costs and disbursements herein.

/s/ CASSIUS R. PECK,
/s/ GRIFFITH, PECK, PHILLIPS
& NELSON,
Attorneys for Defendant.

State of Oregon,
County of Multnomah—ss.

Due, timely and legal service by copy admitted at Portland, Oregon, this 2nd day of July, 1945.

/s/ HARVEY G. HOY,
Attorney for Plaintiffs.

[Endorsed]: Filed July 2, 1945.

[Title of District Court and Cause.]

ORDER AUTHORIZING AMENDMENT TO COMPLAINT

Pursuant to and in conformity with a stipulation entered into by and between the parties through their respective attorneys:

It Is Hereby Ordered that the complaint in the above-entitled suit may be further amended by changing the clause found in lines 14 to 17, inclusive, on page 4 of the complaint to read as follows: “and have commenced and are constructing an unsightly, noisy logging camp immediately adjoining said resort property of these plaintiffs, and somewhat below the grade of the cottages standing upon the property of these plaintiffs, and have installed thereon a work-shop for repairing heavy machinery and which operates a trip-hammer with action so violent as to vibrate cabins on plaintiffs’ said property.” That said amendment may be made either by interlineation or by striking out with a pen the said clause beginning with the first word “and” on line 14 of page 4 of said complaint down to and including the word “plaintiffs” on line 17 of said complaint and placing a rider on said page 4 containing the words of the clause as amended pursuant to this order.

It Is Further Hereby Ordered that when the complaint is so amended, the amended answer of the defendant, as heretofore filed herein, shall stand as an answer to the complaint as so amended and the new matter of the complaint as inserted by said

amendment shall be deemed to be denied by said amended answer of the defendant.

Dated Sept. 10th, 1945.

/s/ CLAUDE McCOLLOCH,

O.K. Cassius R. Peck, of Attorneys for Defendant.

O.K. Harry G. Hoy of Attorneys for Plaintiffs.

[Endorsed]: Filed September 10, 1945.

[Title of District Court and Cause.]

PRE-TRIAL ORDER

Appearances:

Attorneys for Plaintiff, Hoy and Prag.

Attorneys for Defendant, Griffith, Peck, Phillips and Nelson; John J. Coughlin, and Wilbur Beckett Oppenheimer; Mautz & Souther.

Character of Action

This is an action by the plaintiffs, H. W. Fowler and U. Z. Fowler, against the defendant, Crown Zellerbach Corporation, to recover damages. In their Complaint and in their Supplemental Complaint plaintiffs set up two causes of action. By their first cause of action they ask for \$50,000.00 compensatory and \$100,000.00 punitive damages, which they allege they suffered by reason of certain acts alleged against the defendant which they claim has reduced the value of property owned by them, as hereinafter

described, and by reason of loss of the normal income from said property; and in this cause of action they claim that the acts and conduct of defendant and the manner in which it has maintained its logging operations on and near Lake Tahkenitch, constitute a private nuisance and allege that the conduct of the defendant has been malicious and wanton.

By their second cause of action, as set forth in their Supplemental Complaint, the plaintiffs ask damages in the sum of \$10,000.00 against the defendant on the ground that the defendant has installed a log-dump at or near the location of a public boatlanding on said Lake Tahkenitch near the property of the plaintiffs which constitutes a nuisance, injuring the business and said property of the plaintiffs.

The pleadings of the defendant disclose that it contends that the defendant has conducted its logging operations upon its lands adjacent to said Tahkenitch Lake in a reasonable manner and that the plaintiffs have suffered no damage by reason of any acts of the defendant; that if plaintiffs have suffered any loss of value of, or loss of income from their properties adjacent to said Lake, such damage has been solely and only due to (1) the gasoline shortage resulting from war restrictions which markedly limited public travel to and from the said properties of the plaintiffs, and (2) the incompetent and bad management of the plaintiffs in the conduct of said business, particularly referring to (a) the continual opening and closing of the resort so that

the public could not depend upon admittance to said resort, and (b) the manifestation of an antagonistic attitude toward the defendant and its employees which has resulted in driving away the custom and trade of many of the employees of the defendant who are there engaged in said logging operations and has alienated the custom and trade of the relatives, friends and acquaintances of said employees.

General Description of the Premises Involved in the Controversy

The property of the plaintiffs, the easterly portion of which borders upon Tahkenitch Lake, has been improved with cabins, floats and boats for a recreational resort on said Lake. It abuts upon Lake Tahkenitch on the westerly shore thereof and is cut from north to south of the improved Coast Highway. To the North of the northern extremity of plaintiff's said property, and on the westerly shoreline of said Lake is a public boat-landing. This boat-landing is reached from plaintiffs' said property either by traveling the highway which crosses a branch of the Lake immediately north of a portion of plaintiff's property or by water by navigating the Lake from the easterly side of plaintiffs' property to said boatlanding.

A log-dump has been installed by the defendant approximately 75 feet northerly from said boat-landing on the shore of said Lake, which is the log-

dump of which plaintiffs make complaint in their second cause of action.

The defendant owns property on the lake front immediately South of said property belonging to the plaintiffs and has built on its said property a logging camp southerly of and within a short distance of plaintiffs' resort property, which camp is somewhat lower in elevation than most of the property of the plaintiffs and to which said camp an artificial channel from said Lake has been constructed.

Plaintiffs acquired title to their said property consisting of approximately 16.25 acres from one C. H. Cook by deed dated April 13, 1943.

The defendant, for many years last past, has been conducting a logging operation upon its lands adjacent to the said Lake Tahkenitch.

Admissions

The following facts are admitted by the parties plaintiff and defendant:

(1) That plaintiffs are husband and wife and are citizens and residents of the State of Oregon and that the defendant is a corporation licensed and existing under the laws of the State of Nevada and domesticated in the State of Oregon.

(2) That the plaintiffs are the owners as tenants by the entireties of the said parcel of land, comprising approximately 16.25 acres on Lake Tahkenitch, Douglas County, Oregon, having invested therein for the purpose of operating said property as a recreational resort, auto court and motel.

(3) That one of the assets of said property as a recreational resort is the fact that said property is located on said Lake and thereby benefits from the fact that the Lake is, and long has been, a lake upon which boats may be operated and fishing may be indulged in as a sport; that tule beds are located along certain of the shorelines of said Lake, and that the property of the plaintiffs is approximately one mile from the ocean beach.

(4) That adjacent to the Coast Highway, which passes immediately by the entrance to the said property of the plaintiffs there is a boat-landing of the United States Forest Reserve at which small boats may be launched into said Lake and taken therefrom and that adjacent to said boat-landing there is now, and for some time has been, a convenient level space for the parking of motor vehicles.

(5) That the plaintiffs operated their property in 1944 as a recreational resort, auto court and motel, and that the defendant conducted its logging operations upon its lands adjacent to said Lake, and that the defendant did at times operate a log cut-off saw, sawing logs in the waters of said Lake Tahkenitch.

(6) That in its said logging operations the defendant at times stretched logging cables across portions of the Lake and in the operation of said cables the same would be at times tautened so as to raise such cables from the waters of the Lake and upon the release of said cables the same would drop into the waters of the Lake.

(7) That the defendant in connection with its

logging operations installed boom sticks for the booming and holding of logs, and such boom sticks were not lighted at night.

(8) That the logs of the defendant sometimes drifted in the waters of said Lake.

(9) That the defendant cut down a fringe of trees located upon the property of the defendant and between the said property of the plaintiffs and the said logging camp of the defendant.

(10) That the defendant in the conduct of its logging operations operated a small number of tow-boats and launches on said Lake.

Issues to Be Tried by Reason of Plaintiffs' Contentions

First: Did the defendant in connection with its said logging operation during said time fall, and continue to fall, trees directly into the Lake, destroying tule beds along the margin of the Lake?

Second: Did the defendant in its said logging operations unnecessarily saw logs in the said Lake, permitting the sawdust, pitch and other saps from the tree trunks to mix with the waters of the Lake?

Third: Did the defendant conduct its logging operation in such a manner that it unnecessarily permitted numerous floaters from its logging operations to go out upon the surface of the Lake in various places, some of which would be partially, and some almost completely, submerged and whereby boating on the Lake either for fishing or for pleasure riding was rendered dangerous?

Fourth: Did the defendant so conduct its said

logging operations that unboomed logs and snags, tree tops and other debris from its said logging operation customarily floated into and blocked passages provided under bridge trestling crossing the Lake so that boats were unable to pass from one side of the trestles to the other?

Fifth: Did the defendant unnecessarily swamp fallen trees in the Lake permitting the slashings from such swamping operations to float along the Lake and to lodge along the margins of the Lake and finally to drift together with old snags, limbs, stumps and other debris resulting from defendant's logging operations down into the channel of said Lake's outlet to the ocean and to be scattered on the beach, rendering the beach unsightly?

Sixth: Did the defendant construct a logging camp in which it installed a workshop for repairing heavy machinery which operates a trip hammer with action so violent as to vibrate cabins on plaintiffs' said property, and the noises from which camp constituted an unnecessary annoyance to persons occupying plaintiffs' said property?

Seventh: Does the sewage from said camp of the defendant render unsafe and unsanitary the said Lake Tahkenitch close to the swimming float on the property of the plaintiffs?

Eighth: Has the defendant in the operation of its said logging business operated tugs and launches on the Lake unnecessarily and in such a manner as to injure the underpinning and substructure of the floats on plaintiff's property?

Ninth: Did the said conduct of the defendant in

the operation of its tugs and launches loosen and displace the logs under plaintiffs' floats and cause the diving tower maintained by plaintiffs on one of said floats to become so wrecked and weakened that it was blown over?

Tenth: Did the defendant, through its agent, or agents, make threats to the plaintiff H. W. Fowler that it intended to "get" him; and did it cause a violent assault and battery to be committed by one of its agents upon the plaintiffs and upon a guest in the house of the plaintiffs; and has the defendant made it appear unsafe for the plaintiffs to remain on the premises?

Eleventh: If it be determined that any act of the defendant, as specified in the foregoing paragraphs "First" to "Tenth" inclusive, occurred continuously and not as an isolated act, and that such act was unwarranted or unreasonable in the reasonable operation of the business of the defendant, and that the defendant committed such act either for the purpose of causing an invasion of the rights of the plaintiffs, or knew that such act would result in injury to the plaintiffs' property or the plaintiffs' business, or both, and if it be further determined that such act resulted in a substantial damage of the plaintiffs' property or the plaintiffs' business, or both, then it is for the jury to determine how much, if any, was the value of said property of the plaintiffs reduced by the said conduct of the defendant, and how much, if any, did the plaintiffs lose of the normal income from their said property as the result of such act or acts.

Twelfth: If it be determined that any act of the defendant, as specified in the foregoing paragraphs "First" to "Tenth" inclusive, occurred continuously and not as an isolated act, and that such act was unwarranted or unreasonable in the reasonable operation of the business of the defendant, and that the defendant committed such act with malice, and if it be further determined that such act resulted in a substantial damage of plaintiffs' property or the plaintiffs' business, or both, then it is for the jury to determine how much, if any, punitive damages should be awarded the plaintiffs.

Issues to Be Tried by Reason of the Contentions of the Defendant

First: The property of the plaintiffs is located approximately one mile from the ocean beach and said beach is not visible from said property and can be reached only by arduous trudging over soft sand dunes, and by reason of the remoteness of said ocean beach from said plaintiffs' property, the plaintiffs have no special interest in said ocean beach and cannot be heard to complain with respect to the effect of the operations of the defendant upon said ocean beach.

Second: That the operation by the defendant of a log cut-off saw in said Lake was warranted and reasonable in the conduct of its logging operations and any sawdust from said sawing operations was in a trifling and inconsequential amount and in no way adversely affected the plaintiffs in the use and operation of their property.

Third: That the maintenance of boom sticks upon said Lake without lights was a proper, reasonable and lawful conduct of the logging operations of the defendant and there was no traffic upon such Lake which would justify any lighting of such boom sticks.

Fourth: That any drifting of logs of the defendant upon the waters of said Lake was brought about by the breaking up of log storage because of storms of unusual severity, and the defendant, in the reasonable conduct of its operations, immediately collected any such drifting logs and replaced the same in storage.

Fifth: That the clearance by the defendant of the outlet of the said Lake to the ocean has benefited the recreational and fishing possibilities of said Lake.

Sixth: In cutting down the fringe of trees located upon the property of the defendant and between the property of the plaintiffs and the logging camp of the defendant, the defendant acted upon express orders of the Safety Division of the Industrial Accident Commission of the State of Oregon, and the defendant, under the Statutes of the State of Oregon, was required to comply with said order.

Seventh: That the defendant constructed and operated a log-dump upon said Lake Tahkenitch upon government lands and under and in accordance with the conditions of a permit therefor issued to the defendant by the Forest Service of United States.

Eighth: That the defendant and its predecessor in title have for more than ten years last past owned the lands which are adjacent to the shores of said Lake and that said lands of the defendant were, when purchased by the predecessors of the defendant, covered with timber which was ripe for logging; that the defendant since 1937, and its predecessors in title before 1937, have been continuously engaged in the logging of said lands abutting upon said Lake; that the defendant has universally conducted its said logging operations in a reasonable, warranted and lawful manner and any conduct, as contended by the plaintiffs, of such logging operations other than in a reasonable, warranted and lawful manner have been of isolated and infrequent occurrences, and has not constituted a nuisance to the plaintiffs and has not caused the plaintiffs any damage.

Ninth: That the plaintiffs well knowing that the defendant intended to carry on such logging operations, did, in 1943, purchase said property with the intent of using the same as a recreational resort, as an auto court and as a motel.

Tenth: That the plaintiffs have not been legally damaged by any operations of the defendant and any damage which the plaintiffs may have suffered in their investment in, or in their income from said property and/or in the conduct of their said business in operating said property, has been solely and only due to two facts, to-wit:

(1) The gasoline shortage resulting from war restrictions which has markedly limited public travel to and from said properties of the plaintiffs; and

(2) The incompetent and bad management of the plaintiffs in the conduct of said business, particularly referring to (1) the continual opening and closing of the resort so that the Public could not depend upon admittance to said resort, and (2) the manifestation of an antagonistic attitude toward the defendant and its employees which has resulted in driving away the custom and trade of many of the employees of the defendant who are there engaged in said logging operations and has alienated the custom and trade of the relatives, friends and acquaintances of such employees.

Eleventh: With reference to the alleged assault and battery by Bert Ross upon the said H. W. Fowler on July 4, 1944 the defendant contends:

(1) That such alleged assault and battery was not made by said Ross within the scope of any agency relationship existing between the defendant and said Ross and was not authorized by the defendant either directly or impliedly and the defendant has no responsibility therefor; and

(2) That such alleged assault and battery was justified and provoked by the conduct, threats and language of said H. W. Fowler with respect to the said Ross and his employment, and the plaintiffs should be and are estopped from making any legal complaint of that which was so justified and provoked.

Reservations by Plaintiffs of Points of Law

Upon Pre-Trial the Court overruled the contention of the plaintiffs with respect to the following proposition at law and the plaintiffs reserve the right to hereafter present and urge such propositions in the further trial of this case:

(1) That the issue as tendered by the plaintiffs to the effect that a part of the consideration for the payment of \$9,500.00 to the defendant by the Dean Brothers for the sixteen and a fraction acres acquired by the plaintiffs by mesne conveyance from the defendant was the understanding that the property should be used as a recreational resort and that that character of the transaction created in effect an implied covenant running with the land to the effect that the Grantor in the deed to Dean Brothers would carefully conduct or manage or operate its adjoining properties so as not to unnecessarily injure or impair the said property as a recreational resort.

Reservations by Defendant of Points of Law

Upon pre-trial the Court overruled the contentions of the defendant with respect to the following propositions of law and the defendant reserves the right to hereafter present and urge such propositions in the further trial of the case:

(1) That the issues as raised by the plaintiffs with respect to the assault and battery upon

the plaintiffs and upon a guest in the house of the plaintiffs are not proper issues to be considered in this case, which is founded upon establishment of a nuisance, under Section 8-401 Oregon Compiled Laws Annotated, and in which damages are asked only for the depreciation of the property and the loss of income from property.

(2) That the issue as raised by the plaintiffs with respect to the establishment and operation of a log-dump upon the lands of the United States under a permit from the Forestry Service of United States is not a proper issue to be considered under the pleadings of this case, and such issue should be stricken from further consideration for the reason that the same is not supported by the pleading of any facts which would support the retention of such issue.

Exhibits Offered and Marked at Pre-Trial

All exhibits produced by each and both of the parties to the action were marked for identification at the Pre-Trial subject to offer and further consideration of the Court at the time of the trial of the case; a schedule and list of said exhibits is attached hereto, made a part hereof and marked Exhibit "A."

Plaintiffs objected to defendant's Pre-Trial Exhibits Nos. 1 to 23 inclusive; also, to Defendant's Exhibits Nos. 30 to 33; and also, to Defendant's Exhibits Nos. 36 to 44 inclusive, and also to De-

fendant's Exhibits Nos. 46 to 48 inclusive. For the most part the objection was based upon the ground that the exhibit objected to was irrelevant and immaterial. In certain cases where copies were offered further objection was made that these copies were not the best evidence.

At the time of Pre-Trial the court overruled the motion of the defendant for a view by the jury of the premises and at that time it was stipulated that the defendant should be permitted to take photographs of the premises involved in litigation and offer the same at the trial without having presented the same for identification at the Pre-Trial. In accordance with such stipulation, the defendant reserves the right to present such photographs at the Pre-Trial without first having presented the same at the Pre-Trial.

Order of Court

Based upon a hearing before this Court, plaintiffs appearing in person and by Harry G. Hoy of their attorneys and the defendant appearing by its duly authorized representative and Cassius R. Peck, John J. Coughlin and Robert T. Mautz of its attorneys, it is hereby

Ordered, Considered and Adjudged that the foregoing constitutes the Pre-Trial Order in the above entitled action and shall supersede the pleadings, and that the Pre-Trial Order shall not be amended in the trial except by consent or by order of the Court to prevent manifest injustice.

Dated this 13th day of November, 1945.

CLAUDE McCOLLOCH,
Judge.

[Endorsed]: Filed November 13, 1945.

In the District Court of the United States for the
District of Oregon

No. Civ. 2734

H. W. FOWLER and U. Z. FOWLER,
Plaintiffs,
vs.

CROWN ZELLERBACH CORPORATION,
Defendant.

JUDGMENT FOR DEFENDANT

The above entitled action came on regularly for trial before the undersigned on the 8th day of May, 1946, and a jury was duly impanelled and sworn; by direction of the court the jury was thereupon taken to view the localities where the matters and things involved in the pleadings transpired, and said trial was resumed on May 14 and continued until May 15, 1946. At the conclusion of all the testimony and after all parties had rested defendant made a motion that the court direct a verdict in favor of the defendant and against the plaintiffs and decision of said motion was reserved and said

cause was on the 16th day of May, 1946, submitted to the jury. On the 17th day of May, 1946, the jury not having returned a verdict for either party but advising the court that in their opinion no verdict could be agreed upon was discharged, and defendant within ten days after the jury had been discharged filed a motion for judgment in accordance with its motion for a directed verdict.

Defendant's said motion for judgment having been argued to the court by attorneys for the respective parties and the court having considered said motion finds that it should be and the same is hereby granted.

It is therefore hereby Ordered and Adjudged that plaintiffs recover nothing and that their complaint and action be and the same are hereby dismissed.

It is further Ordered and Adjudged that defendant have and recover of and from plaintiffs its costs and disbursements incurred herein taxed at \$1,756.92, and that execution issue therefor.

Dated this 25th day of June, 1946.

CLAUDE McCOLLOCH,
Judge.

Due and legal service of the within proposed Judgment by receipt of a duly certified copy thereof, as required by law, is hereby accepted in Multnomah County, Oregon, on this 24th day of June, 1946.

/s/ HARRY G. HOY,
Of Attorneys for Plaintiffs.

[Endorsed]: Filed June 25, 1946.

[Title of District Court and Cause.]

NOTICE OF APPEAL

To Crown Zellerbach Corporation, defendant, and
to Cake, Jaureguy and Tooze and John J.
Coughlin, its attorneys:

Notice is hereby given that H. W. Fowler and U. Z. Fowler, the plaintiffs above named, hereby appeal to the Circuit Court of Appeals for the Ninth Circuit from the final judgment made and entered in the above-entitled case on or about the 25th day of June, 1946, which provided that the plaintiffs recover nothing and that their complaint and action "be and the same are hereby dismissed" and which further provided that the defendant recover of and from the plaintiffs its costs and disbursements incurred in said action, said judgment being the only final judgment heretofore, or at all, made and entered in the above entitled action. Said plaintiffs appeal from the whole of said judgment and from each and every part thereof.

Dated September 24th, 1946.

HOY & PRAG,

Attorneys for Plaintiffs.

[Endorsed]: Filed September 24, 1946.

[Title of District Court and Cause.]

BOND ON APEAL

4846988

Know All Men by These Presents, that We, H. W. Fowler and U. Z. Fowler, as Principals, and Fidelity and Deposit Company of Maryland as surety, are held and firmly bound unto Crown Zellerbach Corporation, defendant, and to whom it does or may concern, in the full and just sum of Two Hundred Fifty and no/100 (\$250.00) Dollars to be paid to the said Crown Zellerbach Corporation, its attorneys, executors, administrators or assigns; to which payment well and truly to be made we bind ourselves, our heirs, executors and administrators, jointly and severally, by these presents.

Sealed with our seals and dated this 24th day of September, 1946.

Whereas, lately at a District Court of the United States for the District of Oregon, in an action pending in said Court between H. W. Fowler and U. Z. Fowler as plaintiffs and Crown Zellerbach Corporation as defendant, a judgment was rendered against the said plaintiffs, and the said plaintiffs having filed in said Court a Notice of Appeal to reverse the judgment in the aforesaid case on appeal to the United States Circuit Court of Appeals for the Ninth Circuit, at a session of said Circuit Court of Appeals to be holden at San Francisco in the State of California, or at such other proper place as the Court may see fit to hold said session.

Now, the condition of the above obligation is such,

that if the said H. W. Fowler and U. Z. Fowler shall prosecute their said appeal to effect, or shall pay all costs, interest and damages for delay if for any reason the appeal is dismissed, or if the judgment is affirmed, being such costs and disbursements as the appellate court may adjudge and award, if said appellants fail to make their appeal good or prevail therein, then the above obligation to be void; else to remain in full force and virtue.

[Seal] H. W. FOWLER,

[Seal] U. Z. FOWLER,

Appellants

[Seal] FIDELITY AND DEPOSIT

COMPANY OF MARYLAND,

By CLARENCE D. PORTER,

Countersigned:

JOHN H. RANKIN AGENCY,

/s/ JOHN H. RANKIN,

Resident Agent.

[Endorsed]: Filed September 24, 1946.

[Title of District Court and Cause.]

DOCKET ENTRIES

1945

Apr. 3—Filed complaint.

Apr. 3—Issued summons—to marshal.

Apr. 6—Filed summons with marshal's return.

Apr. 24—Filed demurrer.

1945

Apr. 24—Filed answer of defendant.

Apr. 25—Filed demand for jury.

Apr. 25—Filed motion of ptff. to strike from answer.

May 7—Record of hearing of Pltf's motion to strike from answer, U. A. McC.

May 7—Record of hearing of Deft's demurrer, U. A. McC

May 7—Entered order setting for P. T. on Wed., June 13, 1945. McC

May 28—Entered order setting for P. T. on Friday, June 22, 1945. McC

June 18—Filed motion of Deft. to strike parts of complaint.

June 18—Filed amended answer.

June 22—Record of Pre-trial Conference. McC

June 22—Entered order to correct Complaint & Amended Answer by interlineation. McC

June 22—Oral motion by Pltf. for order granting leave to file supplemental complaint. U. A. McC

June 29—Filed supplemental complaint.

July 2—Filed answer of Deft. to supplemental complaint.

Aug. 30—Filed transcript Pre-Trial Proceedings June 22, 1945.

Sept.10—Filed stipulation.

Sept.10—Filed and entered order authorizing amendment to complaint. McC

Oct. 4—Filed Index of Pre-trial exhibits, Defts. 1-107, Pls. 108-128 J4.

1945

- Oct. 16—Entered order setting for trial Tuesday,
Nov. 13, 1945. (attys. notified) McC
- Oct. 26—Entered order setting for further P. T.
Thursday, Nov. 1, 1945. (attys. notified)
McC
- Oct. 31—Issued original subpoena, & 35 copies to
defendant.
- Nov. 2—Record of Pre-trial conference. McC
- Nov. 2—Entered order overruling demurrer. McC
- Nov. 2—Entered order reserving decisions on legal
questions until time of Trial. McC
- Nov. 2—Entered order reserving decisions on mo-
tion to strike from answer. McC
- Nov. 5—Issued 2 civil subpoenas & 16 copies.
- Nov. 8—Filed further pretrial proceedings tran-
script dated Nov. 2, 1945.
- Nov. 13—Record of trial begun—jury impaneled
& sworn—evidence adduced. McC
- Nov. 13—Filed & entered Pretrial order. McC
- Nov. 14—Record of trial—evidence adduced. McC
- Nov. 15—Record of trial—evidence adduced. McC
- Nov. 16—Issued subpoena for plntf. and 7 copies.
- Nov. 16—Record of trial—evidence adduced. McC
- Nov. 17—Record of trial—evidence adduced. McC
- Nov. 19—Record of trial—evidence adduced. McC
- Nov. 20—Filed motion for directed verdict.
- Nov. 20—Order excusing Juror Mrs. B. C. Rue be-
cause of illness—oral stipulation of coun-
sel to continue with 11 Jurors—Order to
continue with 11 Jurors. McC

1945

Nov. 20—Record of hearing on Deft's motion for directed verdict—order reserving decision. McC

Nov. 20—Record of trial, evidence adduced—closing argument. McC

Nov. 21—Record of trial—Jury unable to agree. McC

Nov. 21—Entered order dismissing jury from further consideration of this case. McC

Nov. 21—Filed exhibits. J-4

Nov. 28—Filed motion for Judgment (by deft.) with notice attached.

1946

Jan. 21—Entered record of hearing on motion of deft. for judgment—argued & taken under advisement.

Feb. 9—Entered order denying motion of deft's for judgment, order setting for further pre-trial on Feb. 18, 1946 at 2 p.m. and order setting for trial on March 7, 1946. Attys. notified McC

Feb. 16—Filed motion for postponement of trial date with affidavit.

Feb. 18—Entered record of pre-trial & hearing on motion of deft. to continue cause for trial & order continuing to further order pre-trial & motion. McC

Feb. 21—Entered order striking trial date of March 7, 1946. attys. notified. McC

Mar. 4—Entered order allowing ptff. to file amended complaint & continuing for trial setting. McC

1946

Mar. 16—Filed motion of ptff. to set for trial.

Apr. 1—Entered order setting for trial on May 8, 1946—10 a.m. (Jury) McC

Apr. 1—Filed & entered order to deliver exhibits. McC

Apr. 11—Issued subpoena & 12 copies to ptff's atty.

Apr. 22—Filed & entered Order for Withdrawal of exhibits until Apr. 25, 1946.

Apr. 18—Filed vol. I and II, transcript of trial proceedings.

May 8—Issued original & 20 copies of subpoenas to atty.

May 8—Entered order consolidating this cause with Civ. 3057 for trial to make available evidence in this cause for use in Civ. 3057; record of trial, order for view and order to resume court trial on May 14, 1946 after view. Person Rep. McC

May 14—Record of trial. Person Rep. McC

May 15—Record of trial & order to withdraw certain exhibits. Person Rep. McC

May 16—Record of trial; order reserving decision on motion of deft. for a directed verdict in its favor.

May 16—Entered order for meals. McC

May 17—Entered record of trial (jury deliberating) & order discharging jury (disagreement) McC

May 21—Filed motion of deft. for judgment.

May 21—Filed exhibits on 2nd trial numbered 49, 140, 119, 107-D, 40, 39, 24, 135, 38, 187, 37, 2, 134, 133, 132 and 188. J-4.

1946

May 24—Entered order setting argument on motion of deft. to dismiss for June 5, 1946—10 a.m. (not heard) McC

June 14—Entered order setting hearing on motion of deft. for a judgment in its favor on June 24, 1946—10 a.m. attys. notified. McC

June 24—Record of hearing on motion of deft. for judgment & entered order allowing motion. McC

June 25—Filed & entered judgment for deft. attys. notified. McC

June 26—Filed defendant's cost bill.

June 28—Entered costs in Lien Docket.

Sept. 17—Filed judgment roll.

Sept. 24—Filed notice of appeal.

Sept. 24—Filed bond on appeal.

Sept. 24—Mailed copies of Notice on Appeal—to attys.

Oct. 25—Filed stipulation enlarging time for filing designation of record.

Oct. 25—Filed & entered order allowing to Dec. 21, 1946 for filing designation of record on appeal. McC

Dec. 6—Time for appeal extended by C. C. of A. to and including March 10, 1947.

Dec. 6—Time for appeal extended by C. C. of A. to and including June 10, 1947.

1947

May 29—Filed stipulation re contents of record.

May 29—Filed in duplicate excerpts from trial proceedings.

May 29—Filed in duplicate transcript of cross examination of Mrs. U. Z. Fowler.

[Title of District Court and Cause.]

STIPULATION IN RE RECORD

It is hereby Stipulated between the parties to the above-entitled action that the following mentioned parts of the record, proceedings and evidence are to be included in the record on appeal:

- (1) The pleadings upon which the case was tried, particularly including the Complaint and the Amended Answer. (The Supplemental Complaint and the Answer thereto could be of no assistance to the Court.)
- (2) The Pretrial Order.
- (3) A transcript of the testimony of Mrs. U. Z. Fowler, which is herewith filed with the Clerk of the above-entitled Court.
- (4) A transcript of an offer of proof and of a portion of the Court's instructions, which is this day filed with the Clerk.

In view of the fact that it has been impossible to obtain a transcript of the testimony in this case and in order that the appellants may have a record of an alleged error upon which to base their appeal,

It Is Further Hereby Stipulated that throughout the last trial of this case the Trial Judge consistently ruled that no damages could be predicated upon any alleged act of the defendant occurring later than July 9, 1944, because prior to that date plaintiffs had announced that on and after that date their report would be closed to the public and on and after that date the plaintiffs had

excluded the general public from the premises and had built a fence between their premises and the public highway and had used the premises thereafter only as their residence and for the housing and entertainment of special guests whom they were willing to accept and who made special reservations to enter the premises for recreational purposes; whereas, the plaintiffs, through their counsel, excepted to such ruling and contended that they should be entitled to damages on any wrongful act of the defendant resulting in injury to their property or property rights referred to in the pleadings.

The defendant by executing this Stipulation does not concede that the portions of the record referred to in this Stipulation are sufficient to adequately present to the appellate court any question which appellants may endeavor to present to that court, but expressly reserves the right to maintain that the record is not sufficient for that purpose. Both parties also expressly reserve the right to supplement the transcript on appeal by additional portions of the record, including additional portions of the transcript of testimony if and when it becomes possible to obtain such transcript.

Dated this 29th day of May, 1947.

/s/ HARRY G. HOY,

Attorney for Plaintiffs.

/s/ NICHOLAS JAUREGUY,

Of Attorneys for Defendant.

[Endorsed]: Filed May 29, 1947.

United States of America,
District of Oregon—ss.

I, Lowell Mundorff, Clerk of the District Court of the United States for the District of Oregon, do hereby certify that the foregoing pages numbered from 1 to 35 inclusive, constitute the transcript of record upon the appeal from a judgment of said Court in a cause therein numbered Civil 2734, in which H. W. Fowler and U. Z. Fowler are plaintiffs and appellants and Crown-Zellerbach Corporation is defendant and appellee; that said transcript has been prepared by me in accordance with the stipulation in re record on appeal filed by appellants and in accordance with the rules of Court; that I have compared the foregoing transcript with the original record thereof and that it is a full, true and correct transcript of the record and proceedings had in said Court in said cause, in accordance with the said stipulation, as the same appears of record and on file at my office and in my custody.

I further certify that I have enclosed a duplicate transcript of Cross-Examination of Mrs. U. Z. Fowler and a duplicate transcript of Excerpts from Trial Proceedings.

I further certify that the cost of comparing and certifying the within transcript is \$18.75 and that the same has been paid by appellants.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Court in Portland, in said District, this 5th day of June, 1947.

[Seal] LOWELL MUNDORFF,

Clerk.

By /s/ F. L. BUCK,

Chief Deputy.

In the District Court of the United States
for the District of Oregon

Civil No. 2734

H. W. FOWLER, et ux,

Plaintiffs,

vs.

CROWN ZELLERBACH CORPORATION,
a corporation,

Defendant.

Portland, Oregon, Wednesday, May 15, 1946

Before: Honorable Claude McColloch, Judge.

Appearance:

Mr. Harry G. Hoy, Attorney for the Plaintiffs.

Mr. Nicholas Jaureguy, Attorney for the Defendant.

Alva W. Person, Court Reporter.

MRS U. Z. FOWLER

one of the Plaintiffs, was produced as a witness on behalf of the Plaintiffs and, having been first duly sworn, testified as follows:

Cross-Examination

By Mr. Jaureguy:

Q. As I understand it, Mrs. Fowler, you are the bookkeeper? A. Yes, sir.

Q. Who takes charge of the books, and I sup-

(Testimony of Mrs. U. Z. Fowler.)

pose you have a record showing all the money that is taken in? That is, somebody comes in and pays you, you put that in the cash book, the cash received, we would call it?

A. Well, that is all taken care of in the books.

Q. That is all in the books? A. Yes, sir.

Q. But you didn't bring the books along?

A. No, sir.

Q. Did you and Mr. Hoy discuss as to whether you should or should not bring the books?

A. No. He never mentioned it to me and I never thought of it.

Q. Now could you tell us the gross, all the money that was taken in at your resort between the first day of January, 1944, and the 9th day of July, 1944?

A. No, I could not.

Q. Could you tell us within five thousand dollars?

A. I could not, because I keep my books on a yearly basis.

Q. On a yearly basis?

A. And I would have to take my adding machine and go through everything to get it for that period of time.

Q. So, as I understand it, you could not tell us within five thousand dollars of the amount of money taken in between January 1st and July 9th, 1944?

A. I could not.

Q. Could you tell us within \$3,000.00 what expenses you had between the first day of January and the 9th day of July, 1944?

(Testimony of Mrs. U. Z. Fowler.)

A. Well, that would be the same story. Those are not broken down there.

Q. You could not tell us within \$3,000.00?

A. No.

Q. Could you tell us the amount that was charged in 1944 for depreciation?

A. Depreciation is something that my auditor takes care of altogether. I don't have anything to do with that. At the end of the year he figures all of that out.

Q. Yes, but could you tell us—you have looked at the books, I guess? A. That is right.

Q. From your recollection of the books could you tell us the amount that was taken for depreciation? A. Not in any set year, no.

Q. I beg pardon?

A. Not in any set year, no, because it varies, naturally.

Q. I remember in answer to one of Mr. Hoy's questions you said that the net loss of \$2800.00 for 1944 was after taking depreciation?

A. That was the net loss, as shown on our income taxes, I remember it.

Q. So you remember that figure from the income tax?

A. Yes, because that is the total for the year.

Q. If that was the income tax returned that must have shown the depreciation, didn't it?

A. It did show it, yes, sir.

Q. Can you remember anything else that en-

(Testimony of Mrs. U. Z. Fowler.)

tered into the result for 1944 other than what you say as the net loss?

A. No, because that is the only figures we ever try to remember from year to year, is what the total was, because if I remembered them all I would not have room in my head for anything else.

Q. As I understand you, you keep the books?

A. That is right.

Q. As I understand it, you could not tell within \$5,000.00 the amount taken in from the 1st of January to the 9th of July? I want to ask you if you can recall within \$5,000.00 what was taken in during the entire year of 1944?

A. I don't know what those figures were.

Q. You think you could tell us within \$10,000.00?

A. You would just have me guessing if I did that and I don't think that would amount to anything.

Q. I don't want you to guess, if you could not tell from what you know came in, or what. So you could not tell except as a guess?

A. That is right.

Q. Within \$10,000.00? A. That is right.

Q. Mr. Fowler, you will remember, said that even while you were open there sometimes in the middle of the week you had some cabins that were not occupied?

A. That is right. You are bound to have cabins that are not occupied.

Q. Was that frequent or was it all the time?

A. Well, it varied a great deal. That depends a little on how many people move out on us, too.

(Testimony of Mrs. U. Z. Fowler.)

Q. During the middle of the week did you ever have to turn away people because your cabins were all filled? A. We have, yes.

Q. And during week ends did you have to turn away people because your cabins were filled?

A. Yes, we have.

Q. That was rather frequent, I suppose?

A. On week ends, yes.

Q. That was in both 1943 and 1944?

A. Yes, sir.

Q. I think Mr. Fowler said when you closed your resort on July 9th you had to cancel all your cabins because they were all full?

A. Yes. I remember we were completely filled on that day.

Q. Had you been turning away people there from the 1st of July to the 9th of July?

A. From the 4th of July. From the 1st to the 9th? That is when I have to always turn people away, because that is when everybody wants to come.

Q. How many people would you say you turned away in comparison with those you took? Did you turn away more than you took?

A. No, I would not say so.

Q. About the same?

A. No. I would say if we took sixteen cabins every day we would not turn away that many people.

Q. In June, 1944, did you have to turn away a lot of people?

(Testimony of Mrs. U. Z. Fowler.)

A. Oh, it would probably be about the same. Maybe a little less.

Q. You would turn away a few less than you took in; is that what you mean?

A. No. I mean a few less than in July.

Q. Than in July. And from May 13th, when you opened up, until the last of May, did you have to turn away people?

A. Not so many, but I imagine we did on week ends. Pretty near always on week ends.

Q. But during any of that period from May 13th to July 9th was there any time during the week ends that you were not filled up?

A. As I remember it, I believe we were practically always filled on week ends. Now, of course, there might be a cabin here and there, but you can't really take that into consideration.

Q. Yes. And many times during the middle of the week you were filled up during that period of time, weren't you?

A. Often, yes.

Q. Often?

A. Then again we would not be.

Q. Now your cabins, what is the rate on your cabins?

A. We have cabins that go all the way from a dollar and a half a night to seven dollars a night.

Q. One and a half to seven. Could you tell us what the average is? In other words, when we have, say, sixteen filled one night what is that?

A. During my lunch hour I figured it out. It would be sixty-four dollars a night.

(Testimony of Mrs. U. Z. Fowler.)

Q. \$64.00 a night. Well, I suppose we might say that \$64.00—I suppose we might say on the average during that period you were two-thirds filled up, weren't you?

A. Well, that is awfully hard to estimate.

Q. Yes. Well, would you say my guess there is pretty close?

A. Two-thirds? That I don't know.

Q. Well, you ought to be able to guess better than I can about it?

A. Well, you are doing the guessing. I am trying to tell you what I know.

Q. Yes. Well, would you say that on the average in 1944, while you were open, between the 13th of May and the 9th of July, on the average you were two-thirds filled up during the middle of the week and taking the whole time together?

A. Well, there have been times during the middle of the week when we have had hardly anyone there. Then again we have had people. That is what makes it so hard to tell.

Q. I am just asking the general average, or I might get at it this way. I am not sure whether I asked this question or not, or whether you can tell us the total amount you took in from the 13th of May to July 9th, 1944?

A. I told you that I could not tell you.

Q. Can you tell me the approximate amount?

A. Please don't get me guessing.

Q. No, I don't want to get you guessing now. I am trying to get at some other way. You could

(Testimony of Mrs. U. Z. Fowler.)

not help me either, whether saying on the average, just taking that entire period of one and two-thirds of a month, whether on the average you were filled up?

A. Because that is a long while to try to remember figures in your head.

Q. That is right. Now in arriving at the figure of \$28,000 net loss did you make deductions for improvements that you put on the cabins?

A. Improvements are capital gain and not deductible as an expense.

Q. I think I remember that there is something on it. Repairs, I take it, though—

A. Repairs are deductible as an expense, yes.

Q. That is an expense. That is the distinction between improvements and repairs?

A. Yes. They make quite a definite distinction.

Q. Sometimes it is hard to draw the line, though?

A. That is one of the serious problems of a book-keeper.

Q. That is right. I think you said you put in a lot of repairs in '44?

A. A lot of repairs and a lot of improvements both.

Q. Because, as I understand your testimony, from the 1st of January, 1944, to the 13th of May, I think you said you merely took in enough guests to fill the houses that you were not working on?

A. Well, if you are working on one you could not earn anything on it.

(Testimony of Mrs. U. Z. Fowler.)

Q. That is what I say. And I got the impression there were quite a few you were working on?

A. Well, we try to never work on too many at one time. We try to get one finished and ready and then start the next one.

Q. Now I want to ask you another question. If you can't answer it, all right. I will get through pretty soon, Mrs. Fowler. Could you give us some account of an estimate of the amount in 1944 that was deducted for repairs?

A. You ask me to remember too far back on that, too.

Q. Just what I thought. Now did this twenty-eight thousand dollar loss—

Mr. Hoy: Twenty-eight hundred.

Q. (By Mr. Jaureguy): This twenty-eight hundred dollar loss—did this twenty-eight hundred dollar loss include any salaries for anybody there?

A. That twenty-eight hundred dollar loss for the year?

Q. Yes.

A. That included the help we had during the period they were employed, yes, sir. That didn't include any salaries or remuneration for either Mr. Fowler or myself.

Q. Living expenses the same way?

A. No. Living expenses we paid ourselves, naturally.

Q. I am thinking of the living expenses for the help.

A. Well, on that it depends. If you make your

(Testimony of Mrs. U. Z. Fowler.)

board and room, you charge them so much on their wages as a set schedule on that.

Q. Do you remember the latter part of May, 1944, when you decided to close down the resort and was out just for your own home?

A. I heard that the other day, but that is not the truth.

Q. You don't agree then with Mr. Fowler?

A. No. He might have been talking to someone and made some such remark. No, that was not our plan, and that item in the paper was not put in there for publication. We did not have anything to do with putting that in the paper.

Q. You heard Mr. Fowler say that that was true, that you did plan, and you told the editor of the paper that you were closing as of the last of May and turning it into a private home?

Mr. Hoy: If your Honor please, I object to that. I don't believe it is a correct statement of Mr. Fowler's testimony, as I understand.

The Court: The jury will have to decide.

Q. (By Mr. Jaureguy): Do you remember that testimony?

A. Well, may I tell it as I remember it?

Q. Well, no. I say, do you remember the testimony?

A. I remember him testifying, yes, sir.

Q. To that effect?

A. Well, oh, I thought he said he was talking to the editor of the paper, and he might have made

(Testimony of Mrs. U. Z. Fowler.)

some such remark. However, that was nothing that Mr. Fowler and I had planned together.

Q. Well, he not only made the remark but it was all true, except the last few words when he had referred to a mistake. All right. You just tell what the facts were.

A. Frankly, that was something I didn't know anything about until I read in the paper about that.

Q. That is when you first learned you were closing? A. That is right.

Q. It came as sort of a shock to you?

A. No. You could say you laugh when you hear a lot of things at any time.

Q. Yes, but you were surprised anyway, I take it?

A. Yes. But then the next week, as Mr. Fowler, I believe, stated, he talked to the gentleman that edited the paper and he put in an article contradicting it.

Q. Yes, I remember. He testified, too, that there were a lot of protests from people against the closing? A. That was what the paper said.

Q. That is what he said, too?

A. Well then, of course, too, he tried to make things—to smooth it over.

Q. Yes. Well, that was pretty well smoothed over. As I understand it, then, on the 26th of June you wrote that letter, as I understand it, to the Highway Commission——

A. Yes, I wrote that.

(Testimony of Mrs. U. Z. Fowler.)

Q. —in which you said you were going to close it and put it up for sale?

A. That is right.

Q. That, I suppose, you had talked over with Mr. Fowler? A. Naturally.

Q. Now you heard, of course, Mr. Cook testify a few moments ago? A. Yes, sir.

Q. And about all the cull logs that were let down the outlet in the fall of '42 and spring of '43?

A. Yes, I heard him.

Q. When you visited the beach, when you first bought the place, did you find yourself cull logs down on the beach?

A. I didn't notice any on the beach, no, sir.

Q. Did you notice them any place?

A. I believe there were logs in the outlet.

Q. How far up?

A. I am not very good on distances.

Q. You mean right where the outlet goes into the ocean, or do you mean back a mile, or where?

A. I didn't really notice.

Q. I beg pardon?

A. I didn't really notice up the outlet how far they had gone.

Q. You just noticed——

A. I noticed the beach was nice and let it go at that.

Q. Well, I think I am a little confused, Mrs. Fowler. I will have to get back and ask you whether you noticed any of those cull logs?

A. I believe that I did.

(Testimony of Mrs. U. Z. Fowler.)

Q. And they were at the outlet?

A. Well now, by the outlet do you mean way up at the first part of the outlet?

Q. You see, now, you are getting me confused. I wish you would just tell us where you saw them.

A. Somewhere between the outlet and the ocean, I guess.

Q. Well, that is pretty good. And about how many would you say you saw?

A. I would not attempt to estimate that.

Q. By the way, a very good question. Guess.

A. Well, I couldn't. There were——

Q. So it wasn't very clean when you saw many of them?

A. The beach itself was clean, yes.

Q. You mean by the beach, between low and high water?

A. I mean the sandy beach, where you walk out there and want to walk down to the ocean you go across.

Q. Well, yes. You have been down there at high tide?

A. Yes, I think I have.

Q. Been down there at low tide?

A. Yes, sir.

Q. You are referring now to that space between the high tide and low tide?

A. Well, high tide and low tide—well, all along up there it goes from the sand dunes and then it goes right down to little brush stuff, and from there on, I practically considered from there on, I don't

(Testimony of Mrs. U. Z. Fowler.)

know how far up. Probably at extreme high tide it might get up there; I don't know.

Q. But where you say you saw a lot of cull logs and things, after the spring of 1944 there you didn't see any when you were down there before?

A. I beg your pardon?

Q. Well, I guess I will just withdraw it. It is kind of vague—to me, I mean, as well as to you; I will say to me, if not to you. Now do I understand that you made some protests to Crown Zellerbach in the spring of 1944 about anything they were doing, or not doing? I mean you personally. I am not speaking about the letters.

A. Well, I referred to the letters I had written.

Q. Oh, these letters have been in.

A. I believe so. I don't remember the dates on them.

Q. You don't remember any protest except what is in the letters?

A. Well, then I know we discussed it with their superintendent, and that is the only person really that I have ever personally talked to.

Q. Could you give us some idea when you talked to Mr. Ross? I mean on that subject.

A. As to dates?

Q. Yes. A. No.

Q. You couldn't. During 1943 I think you said you had a lot of trouble with your equipment?

A. Yes, we did.

Q. You don't have any complaint about the logging operations themselves during 1943, as I understand it?

(Testimony of Mrs. U. Z. Fowler.)

A. We didn't make any formal complaint on it, because we kept thinking that the things that we saw would be corrected.

Q. Well, those troubles that you had of your own, what were they?

A. Well, they were mainly concerned with our water system. Do you want me to go into that?

Q. Just tell us, but not with too much detail, like you did at the last trial, for instance.

A. Well, we had our water pump break on us. We had a shut down and get a new water pump.

Q. Who helped you put that in? Anybody?

A. I believe there was a Mr. Vaughn did. I believe that was the name of the man that came over and tried to help us.

Q. Somebody from Crown Zellerbach?

A. Yes.

Q. Then what happened?

A. Then our water pipes bursted and we had to get new pipes.

Q. You mean then you had to pump by some other device?

A. We had to keep the water running continually. You see, ordinarily we run the water up in the water tank, then it comes down by gravity into the cabins, but we have a way we can shut that off. It is sort of confusing to me, but the water goes directly through the lines to the cabins, and therefore by keeping the water going——

Q. Did Mr. Ross come over and help you on that?

(Testimony of Mrs. U. Z. Fowler.)

A. Yes, he did. He was very good.

Q. That was Mr. Ross, the superintendent?

A. Yes, sir.

Q. Then what happened?

A. Then the water tank started leaking. We had to get a new water tank.

Q. That was quite a job?

A. The whole thing was quite a job. It took a great deal of time and a great deal of work.

Q. So during 1933—you didn't start in until the 1st of May, as I recall, during 1933—you were shut down the major portion of the time on account of things of that kind?

A. I think you are off your dates. It wasn't '33.

Q. '43, yes. Ten years is not so bad.

A. It makes a little difference.

Q. During that season, 1943, you were shut down a lot of the time because of the things you have been relating?

A. Yes.

Q. And similar things. Now these tugboats that you talk about, that is these big boats I mean compared to an outboard motor that we use to tow the logs around——

A. Yes.

Q. ——that is the same type of a boat they used the other day to take the jury out on?

A. I believe it is.

Q. Isn't it a fact those were geared down to about six miles an hour?

A. I never looked at the speedometers.

Q. Well, I won't say geared. I will say you saw

(Testimony of Mrs. U. Z. Fowler.)

how fast they were going? They were going six miles an hour and less, weren't they?

A. Well, the speed would have been comparative. They could have gone somewhat slower and done a great deal less damage.

Q. Mr. Fowler has a pretty nice looking boat there, hasn't he? A. Yes, he has.

Q. How fast does that go when he is out on the lake?

A. You should ask Mr. Fowler that. I believe that it is—I don't know how fast they go, but I know we can't go as fast as the book says we should.

Q. Well, that is generally true, yes. The book says forty-two and it goes thirty-five; isn't that so?

A. Something like that. I was going to say thirty-two to thirty-five. Forty-two, on the other hand, in case that is right.

Q. I wonder if you ever have had occasion to observe the waves from that boat when it is going thirty-five? A. Yes, sir, I have.

Q. How are they?

A. They are entirely a different type of wave than you get from the tugboat.

Q. A different wave length, you mean?

A. Well, on a tugboat your prow, I think you call it, goes down in the front end of the water and it makes a big wave that keeps going like this, and on the speedboat the front end goes up and you sort of skim the water and all you get is a little wash behind. It looks like there is a lot of spray coming out of the sides, and that is not the steep roll that you get from a tugboat.

(Testimony of Mrs. U. Z. Fowler.)

Q. I never thought of that. Maybe there is something to it.

A. I think if you ever watch the boat you will find I am right on that.

Mr. Jaureguy: I will have to watch it. I saw a boat the other day with the front end out that made quite a wave. It didn't happen to be Mr. Fowler's, though. I think that will be all, Mrs. Fowler. Thank you.

Redirect Examination

By Mr. Hoy:

Q. Mrs. Fowler, I think I overlooked asking you what other means of income did you have there besides the cottages and the boats? What other facilities did you have for making money?

A. Well, we had the cottages and boats, and motors; and then we had the store and the restaurant and the gas pumps.

Mr. Jaureguy: I didn't get that. Something, and the restaurant?

A. The restaurant and the store and the gas pumps.

Q. (By Mr. Hoy): Did you also sell a certain kind of gas, or something, some kind of a mix for boats?

A. Yes, we had. That is, for outboard motors and boats like that they mix oil and gasoline to make what they call a gas mix. We sell that.

Q. How does the price on that compare with the price for ordinary gas, do you know?

A. It is higher.

(Testimony of Mrs. U. Z. Fowler.)

Q. So you had—your source of income consisted, as I understand it, of the cottages and the boats, the motors attached to some of the boats, the store, restaurant and gas; is that right? A. Yes, sir.

Mr. Hoy: I think that is all.

Recross-Examination

By Mr. Jaureguy:

Q. Now the restaurant has been shut down nearly all the time from the beginning, hasn't it?

A. No. When we were open to the public, between May 13th and July 9th, it was open all of the time.

Q. Now I have got to ask you another question. Can you give us an approximation of the amount of money during that time you took in from the restaurant?

A. I would not like to guess on that either, Mr. Jaureguy.

Q. Well, to ask you about the other means of income, as I understand it, your principal income has been this cottage that Mr. Fowler talked about, where you got forty——

Mr. Hoy: If your Honor please, we object to that. That has nothing to do with the income that we are talking about.

The Court: Sustained.

Mr. Jaureguy: That will be all.

Mr. Hoy: That is all, Mrs. Fowler.

(Witness excused.)

[Title of District Court and Cause.]

REPORTER'S CERTIFICATE

I, Alva W. Person, Official Reporter, hereby certify that I reported the proceedings had before the Honorable Claude McColloch, Judge, in the above entitled cause, on Wednesday, May 15, 1946, including the cross-examination of Mrs. U. Z. Fowler; that I thereafter prepared a transcript of the cross-examination of the witness, Mrs. U. Z. Fowler, and the foregoing transcript, pages numbered 2 to 21, both inclusive, contains a full, true and correct transcript of the cross-examination of said Mrs. U. Z. Fowler.

Witness my hand, this 24th day of May, A. D. 1946.

Official Reporter.

[Endorsed]: Filed May 29, 1947.

In the District Court of the United States
for the District of Oregon

Civil No. 2734

H. W. FOWLER, et ux,

Plaintiffs,

vs.

CROWN ZELLERBACH CORPORATION,

a corporation,

Defendant.

EXCERPTS FROM TRIAL PROCEEDINGS

Portland, Oregon, May 16th, 1946

Before: Honorable Claude McColloch, Judge.

Appearances:

Mr. Harry G. Hoy, Attorney for the Plaintiffs.

Mr. Nicholas Jaureguy, Attorney for the Defendant.

* * * * *

Mr. Hoy: If your Honor please, I was wondering when we would make our offer of proof.

The Court: Whenever it is convenient. Are you ready now?

Mr. Hoy: Yes. I might read it into the record.

The Court: Plaintiffs' offer of proof. Just let me read it. I am a fast reader, I suppose. Then you can give it to the Reporter.

Mr. Hoy: I don't know. I probably won't read it as I wrote it.

The Court: Well, go on.

Mr. Hoy: I wrote it last night and I wrote it pretty rapidly. I may change it as I go along.

The Court: Well, if you want to, change it.

Mr. Hoy: I might add to it or subtract from it.

The Court: Yes.

Mr. Hoy: You want me to read it rapidly?

The Court: No.

Mr. Hoy: The plaintiffs offer to prove by testimony of State Health Officer that the sewage disposal plant of the defendant was improperly installed in violation of the Oregon Statute with reference to installation of sewage disposal plants and was dangerous, and that it was so installed as to be liable to contaminate the water at the swimming and bathing resort of the plaintiffs.

The Court: What date?

Mr. Hoy: I beg pardon?

The Court: What date?

Mr. Hoy: It was installed subsequent to July 9th, 1944, I think. Also that the defendant was warned at the time construction was started that the same was wrong and was dangerous—was warned by a licensed plumber. Second, we would prove by expert testimony of actual tests made by the experts personally that the water at plaintiffs' said bathing beach was and is actually contaminated by these sewers, rendering it unfit for use as a bathing resort.

* * * * *

The Court charged the jury as follows:

This case was tried once before, before a jury,

as I told you, and so I had the benefit of a preview of what to expect and for that reason certain rulings that have been made may appear to have been abrupt to you, but I ask you to take my word for it, ladies and gentlemen, that they were matters that were all threshed out at great length before, a great deal more length than they have taken at this trial and it has been my intention at this trial merely to apply the rulings by which the previous case was concluded. In other words, from my point of view, I want no injustice done to either party by that.

Furthermore, I may tell you that there is another case pending in this court which the plaintiffs have brought against the defendant with the same lawyer, the same lawyers on both sides, what we call an equity case. This case we are trying right now. That other case is the case for an injunction which is brought against the defendant for an injunction against the continuance of certain acts for which damages have been asked here, and incidentally in that case they pray that damages as a matter of law be allowed. As I say, the plaintiff has two cases. The one we are trying here for damages, the sole question before you, and that other case is covering the same situation, in which these damages will be incidental. This testimony you have been hearing here for the last two or three days I have also been hearing in connection with my duties in the other case. That other case is the kind of case where a jury is not called. I just don't want you to get the idea that Mr. Hoy and I have dis-

agreed—I hope not too violently. I don't want you to get the idea that it is arbitrary. There are still matters that I will have to decide after you discharge your duties in this case.

And because that is the way the last case turned out, that the jury question was limited to events in the year 1944, not later than July 9th, 1944, so your inquiry is limited here now to that period. It seemed to me then, and does now, that these plaintiffs could not claim damages of the defendant on any theory after the time when they decided, for their own reasons, to close their property, and that is why your consideration stops at that date. They didn't have to close their property. They may have thought they did have to but that does not settle it. The question is whether they could claim damages against somebody else for a period after the time when they, exercising their own right as property owners closed the property. They did close it, and so that closes their claim against the defendant as far as this case is concerned, for any time after that.

The measure of damages, should you allow any, is what profits they lost during the period in question. I don't see how anybody could claim profits against somebody else if he decided for his own reasons to close his own business.

Surely I don't have to say any more about that. It does not matter what you call this case, what technical name you give it, whether you call it a nuisance case. Mr. Hoy raises the question of trespass in the case. The question is whether the de-

fendant's conduct in his logging operation was so unreasonable that it should pay any damages to this plaintiff. Let us look at the facts as they were.

* * * * *

[Endorsed]: Filed May 29, 1947.

[Endorsed]: No. 11650. United States Circuit Court of Appeals for the Ninth Circuit. H. W. Fowler and U. Z. Fowler, Appellants, vs. Crown-Zellerbach Corporation. Appellee. Transcript of Record. Upon Appeal from the District Court of the United States for the District of Oregon.

Filed June 6, 1947.

/s/ PAUL P. O'BRIEN,

Clerk of the United States Circuit Court of Appeals
for the Ninth Circuit.

In the United States Circuit Court of Appeals
for the Ninth Circuit

No. 11650

H. W. FOWLER and U. Z. FOWLER,
Appellants,

vs.

CROWN-ZELLERBACH CORPORATION,
Respondent.

STATEMENT OF POINTS

The appellants on this appeal rely upon the following-mentioned points for reversal of the judgment of the District Court, to-wit:

- (1) The Court erred in assuming that under the pleadings in this case the only damages to which the plaintiffs would be entitled would be damages by way of loss of profits to their business as operators of a resort property.
- (2) The Court erred in ruling, in effect, that by reason of the fact that the plaintiffs on July 9, 1944, barred the general public from the grounds of their resort and afterwards conducted their business only on the basis of entertaining persons and parties who made special reservations, they waived their right to any damages to their property or property rights inflicted by the action of defendant subsequent to said date.

The appellants say that the only parts of the record which they think necessary for the consid-

eration of these points consist of the following:

- (a) The portion of the Pretrial Order which limits the damages of the plaintiffs to loss of income in their business and the reduction of value in their property.
- (b) The portion of the transcript of the record, including plaintiffs' offer of proof and that portion of the Court's instructions which limits the plaintiffs' recovery to damages for injuries suffered prior to July 9, 1944, at the hands of the defendant.
- (c) The Stipulation entered into between the parties, through their attorneys, on the day of May, 1947, particularly that paragraph of said Stipulation that starts with the words, "It is further hereby Stipulated," and ends with the words "whereas, the plaintiffs, through their counsel, excepted to such ruling and contended that they should be entitled to damages on any wrongful act of the defendant resulting in injury to their property or property rights referred to in the pleadings."

HOY & PRAG,

Attorneys for Appellants.

Due and legal service of the within Statement of Points by receipt of a duly certified copy thereof, as required by law is hereby accepted in Multnomah County, Oregon, on this 11th day of June, 1947.

CAKE, JAUREGUY & TOOZE,

Attorney for Respondents.

[Endorsed]: Filed June 12, 1947.

In the United States
Circuit Court of Appeals
For the Ninth Circuit

H. W. FOWLER and U. Z. FOWLER,

Appellants,

vs.

CROWN-ZELLERBACH CORPORATION,

Appellee.

APPELLANTS' BRIEF

Upon Appeal from the District Court of the United
States for the District of Oregon.

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FILED

JUL 30 1947

PAUL P. O'BRIEN,

CLERK

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In the United States
Circuit Court of Appeals
For the Ninth Circuit

H. W. FOWLER and U. Z. FOWLER,

Appellants,

vs.

CROWN-ZELLERBACH CORPORATION,

Appellee.

APPELLANTS' BRIEF

Upon Appeal from the District Court of the United
States for the District of Oregon.

STATEMENT OF THE CASE

It will be observed from the complaint that this is an action in the nature of trespass on the case. By their complaint the plaintiffs recite a long catalogue of offenses by the defendant, most of which are in the nature of private nuisance, but some of which would constitute a trespass on the property rights of the plaintiff. They ask for damages against the defendant and reserve right to move the Court for an order allowing warrant to issue directing the abatement of the private nuisances described in plaintiffs' first cause of action and also the abatement of the nuisance described in plaintiffs' second

cause of action. The case was twice tried to a jury, resulting in each instance in a disagreement. At the close of the second trial, the Court entertained and allowed the motion of the defendant interposed before the retirement of the jury for a judgment (pp. 40-41 Transcript of Record). It is stipulated by the parties through their respective attorneys, that the trial judge consistently ruled that no damages could be predicated upon any act of the defendant occurring later than July 9, 1944, because prior to that date plaintiffs had announced that on and after that date their resort would be closed to the public and on and after that date the plaintiff had excluded the *general* public from the premises and had built a fence between their premises and the public highway and had used the premises only as their residence and for the housing and entertainment of special guests whom they were willing to accept and who made special reservations to enter the premises for recreational purposes; whereas the plaintiffs, through their counsel, consistently excepted to such ruling and contended that they should be entitled to damages for any wrongful act of the defendant resulting in injury to their property or property rights referred to in the pleading, either prior to or subsequent to said date, July 9, 1944 (pp. 50-51 Transcript of Record).

Owing to the illness of the Court reporter, it became impossible to obtain a complete transcript of the testimony introduced at the last trial of the case, and so far as the purposes of the appellants are concerned, it seems only necessary to direct attention to an excerpt from the trial proceedings, consisting of an offer of proof

made by the plaintiffs and which is found on pages 73-74 Transcript of Record and a portion of the Court's instructions shown at pages 74 to 77.

The offer of proof contains the following statements:

"Mr. Hoy: The plaintiffs offer to prove by testimony of State Health Officer that the sewage disposal plant of the defendant was improperly installed in violation of the Oregon Statute with reference to installation of sewage disposal plants and was dangerous, and that it was so installed as to be liable to contaminate the water at the swimming and bath resort of the plaintiffs.

The Court: What date?

Mr. Hoy: I beg pardon?

The Court: What date?

Mr. Hoy: It was installed subsequent to July 9th, 1944, I think. Also that the defendant was warned at the time construction was started that the same was wrong and dangerous—was warned by a licensed plumber. Second, we would prove by expert testimony of actual tests made by the experts personally that the water at plaintiffs' said bathing beach was and is actually contaminated by these sewers, rendering it unfit for use as a bathing resort." (p. 74 Transcript of Record).

From the instructions of the Court, we quote the following found on page 76, Transcript of Record:

"And because that is the way the last case turned out, that the jury question was limited to events in the year 1944, not later than July 9th, 1944, so your inquiry is limited here now to that period. It seemed to me then, and does now, that these plaintiffs could not claim damages of the defendant on any theory after the time when they decided, for their own reasons, to close their property, and that is why your consideration stops at that date. They didn't have to close their property.

They may have thought they had to but that does not settle it. The question is whether they could claim against somebody else for a period after the time when they, exercising their own right as property owners closed the property. They did close it, and so that closes their claim against the defendant as far as this case is concerned, for any time after that.

“The measure of damages, should you allow any, is what profits they lost during the period in question. I don’t see how anybody could claim profits against somebody else if he decided for his own reasons to close his own business.”

As set forth at pages 78 and 79 of Transcript of Record appellants claim the Court erred in the following particulars:

(1) In assuming that under the pleadings the only damages to which the plaintiffs would be entitled would be damages by the way of loss of profits to their business as operators of a resort property.

(2) Also, in ruling, in effect, that the plaintiffs by barring the general public from the grounds of their resort on July 9, 1944, and afterwards conducting their business in a limited manner and only on the basis of accepting guests or parties who made special reservations, lost their right to any damages suffered by them to their property or property rights inflicted by the action of the defendant subsequent to said July 9, 1944.

Plaintiffs contended that they were entitled to substantial damages for acts of the defendant subsequent to

July 9, 1944, particularly including the act of the defendant in installing a sewage disposal plant at its logging camp, which was installed in such manner as to create a violation of the Oregon statutes relating to installation of sewage disposal plants, which was dangerous, and which was so installed as to contaminate the waters at the swimming beach and bathing resort of the plaintiffs, and which was installed subsequently to July 9, 1944.

When the Court excluded the offer of the plaintiffs to prove the said improper installation of said sewage disposal plant and to prove by expert testimony relating to actual tests that the water at plaintiffs' said bathing beach was actually contaminated by said sewage disposal plant, rendering it unfit for use as a bathing resort, plaintiffs duly excepted to the said ruling of the Court. (Excerpts from Trial Proceedings, pp. 73-74 Transcript of Record and Stipulation, pp. 50-51, said Transcript.)

It appears from the Transcript of Record that the Court instructed the jury that the matter of damages was limited to events in the year 1944, occurring not later than July 9, 1944, and instructed them that their injury was limited to that period, and instructed the jury that the measure of damage should they see fit to allow any, consisted of the profits plaintiffs lost during the period in question, to-wit, the year 1944 prior to July 9 (p. 76 Transcript of Record).

ARGUMENT ON ASSIGNMENT OF ERROR NUMBERED (1) ABOVE

With reference to appellants' contention that the Court erred in assuming that under the pleadings the only damages to which the plaintiffs would be entitled would be damages by the way of loss of profits to their business as operators of a resort property, we respectfully submit the following comments:

In the first place, I believe it is proper for the Court to keep in mind the fact that due to the fact of the unfortunate collapse of the Court Reporter the appellants are placed at a disadvantage in that they are not in position to show the various alleged injuries inflicted upon them by the defendant. It will be observed from a reading of the complaint that the plaintiffs' alleged many acts of the defendant which, if proved, would constitute a nuisance affecting the comfort and convenience of the plaintiffs. These included the construction of an unsightly, noisy logging camp immediately adjoining the resort property, the installation of a work shop adjacent to the resort property where heavy machinery was operated, including a trip-hammer with action so violent as to vibrate cabins on plaintiffs' property, and the installation, in an unlawful manner, of a sewage disposal plant which emptied directly into the lake and close to the swimming float on plaintiff's property. Unfortunately, by reason of the circumstances above mentioned, the appellants are able only to furnish a record showing their offer to prove damage as a result of the improper installation of said sewage disposal plant. Appellants

were able to obtain sufficient of the Record to show that they made an offer of proof with reference to the installation and effect of said sewage disposal plant.

If, as alleged by the plaintiffs and as they offered to prove such sewage disposal plant was constructed in such manner as to constitute a violation of the Oregon law and contaminate the water at plaintiffs' bathing beach to such extent that it was rendered unsafe and unfit for use, certainly it constituted a nuisance, and the measure of damages to which the plaintiffs would be entitled is to be determined under the rules relating to damages for a public or private nuisance. The Supreme Court of the State of Oregon in the case of *Porges v. Jacobs*, 75 Or. 493, set forth the rule of damages in such case as follows:

"The true measure of damages is the depreciation in the rental value, *plus compensation for the discomfort and annoyance or injury to health* which plaintiff has suffered by the existence of the nuisance." (Italics are our own).

Certainly since the stipulation of the parties on this appeal discloses that after July 9, 1944, the plaintiffs continued to occupy the property in question "as their residence and for housing and entertainment of special guests whom they were willing to accept and who made special reservations to enter the premises for recreational purposes" (p. 51 Transcript of Record), manifestly the pollution of the water at the bathing resort would constitute a discomfort and annoyance and a very probable injury to health as to the plaintiffs and their guests.

Furthermore, I think it may well be stated at this juncture that the statement of the Court to the effect that the plaintiffs had "closed their property" was an arbitrary conclusion not warranted by the facts as shown by the stipulation of the parties set forth in the Transcript of Record (pp. 50-51). The plaintiffs never closed down their business. As indicated by the stipulation, they conducted the business in a limited manner subsequent to July 9, 1944. If the full Record were before this Court, I think you would find that for a considerable portion of this time the resort was fully occupied by guests who sent in special reservations. To state, as the learned Trial Judge did, not only in his instructions but on numerous other occasions, that the plaintiffs had closed down their business on July 9 was a gross mis-statement of the facts. I assume that this Court will be able to appreciate the fact that a business thus conducted by the plaintiffs in a limited manner might be grievously impaired by the fact that their bathing beach was being rendered unusable and dangerous to health by the wrongful and unlawful action of the defendant. The owner's ardor for work and for soliciting patronage thereby would be dampened, if not destroyed. Also, that such fact and such condition would cause a depreciation in the rental value of plaintiffs' cabins and other facilities, and entitle the plaintiffs to compensation for discomfort and annoyance and injury to health, as mentioned in the decision in the case of *Porges v. Jacobs*, *supra*, is a necessary and natural result.

As stated by the Supreme Court of the State of

Oregon in the case of *Phipps v. Rogue River Canal Co.*, 80 Or. 180:

"If property cannot be enjoyed unless the health is endangered thereby, a nuisance exists. It is not necessary, however, in order to constitute a nuisance, that the annoyance should be of such a character as to endanger the health of a person or persons, or of the neighborhood, the act need not be positively unhealthy. It is sufficient if it occasions that which is offensive to the senses, and that in any way renders the enjoyment of life and property uncomfortable, or that it prevents its enjoyment in as full and ample a manner as before, that it invades or violates a vested right and materially interferes with the ordinary comfort of human existence or renders one's dwelling-house unfit for habitation; and if the enjoyment of life and property has been so rendered uncomfortable, it is not indispensable to sustain a right of action that one should, by the annoyance or alleged nuisance, have been driven from his dwelling or habitation."

We now notice that in presenting the foregoing argument on point numbered (1) above, argument has also been made on point numbered (2), which relates to the ruling of the Court to the effect that the plaintiffs, by barring the general public from the grounds of their resort July 9, 1944, lost the right to claim any damages suffered by them subsequent to that date by the action of the defendant committed after said July 9, 1944. We are unable to see why damage or injury to a business conducted in the limited manner in which plaintiffs conducted their business subsequent to July 9, 1944, should not be actionable and subject to the same rules that would have obtained had the plaintiffs continued to leave their business open to the highway and to entry

by anyone desiring to drive in. The very fact that the conduct of the business was such that plaintiffs deemed it necessary to their safety that they should bar the general public (including agents of the defendant) from their property should give some indication of the extent to which the defendant had gone in trespassing upon the rights of the plaintiffs to the peaceful enjoyment of their property. Be that as it may, we respectfully submit that the learned Trial Judge in this case arbitrarily sought to substitute his judgment as to the manner in which plaintiffs should conduct their business for the judgment of the plaintiffs. He arrived at his conclusion in that regard from the statements of interested parties in a court room one hundred miles from plaintiffs' place of business. Plaintiffs decided upon the proper course to pursue in that regard while residing on the premises adjacent to the logging camp of the defendant corporation. They had the right to decide which was the better way and the safer way to operate their business. They decided to operate it in a limited manner. If their business, as they saw fit to conduct it, was injured or if they themselves and their guests were discommoded and annoyed by the wrongful conduct of the defendant, the Trial Judge had no right to absolve the defendant from liability for the natural and necessary results of its wrongful conduct.

It seems to the writer that the position of the appellants on this appeal could not be better stated than to quote into the Record a memorandum which the writer handed to the Trial Judge in an effort to persuade him to change his ruling to the effect that no act of the

defendant subsequent to July 9, 1944, could be taken into consideration by the jury in the assessment of damages. We quote this memorandum in its entirety:

"This is an action brought by H. W. Fowler and U. Z. Fowler in their individual capacities against the defendant. It is an action on the case as nearly as it can be assimilated to any of the common-law forms of action. It sets forth a long series of alleged wrongs and grievances culminating in the fact that by reason of all these, the plaintiffs have been injured and have been deprived of their property rights. So far as the operation of the machine shop is concerned it is an action for damages for nuisance. So far as the improper installation of the sewage plant at the Crown-Zellerbach camp is concerned, it is likewise an action for nuisance, which may be abated. So far as the allegations with reference to the action of the tugboats is concerned, it is a direct action for damages for destruction of personal property. In other words, all of the long series of alleged wrongs and grievances set forth in the complaint taken together make up the one cause of action, an action for trespass on the case.

"1. An action in the nature of trespass on the case is recognized in Oregon.

Cash v. Garrison, 81 Or. 135 (138-9).

Keller v. Spady, 144 Or. 206 (214-5) (#2).

"2. In 52 Am. Jur., pages 911-912 (Sec. 28 under 'Trespass on the Case') the text writer has this to say:

"*'Adjoining Landowners.* The general principle that the owner of property may make such use thereof as he will is subordinate to another which finds expression in the familiar maxim "*sic utere tuo ut alienum non laedas*"—no one may make an unreasonable use of his own premises to the material injury of his neighbor's. For an injury sustained by the violation of such duty, trespass on

the case is ordinarily the proper common-law remedy; an action of trespass on the case lies for consequential injuries to land where the acts causing the injuries are committed on the defendant's own land. This result has been reached as to the destruction of or injury to a building on neighboring property caused by a fire or by vibrations of blasts in a tunnel, to an injury caused by seepage from an irrigation ditch, and to the destruction of wood on the plaintiff's land, resulting from a negligent act of the defendant on his own land. However, a landowner who cuts or destroys a tree growing on the boundary line without the consent of the adjoining owner is liable in trespass to the latter for such injury. In regard to the existence of implied grants of the easement of light and air, there is a divergence of opinion. Where such an implied grant is recognized, and there is an obstruction thereof, an action of trespass on the case has been regarded as an available common-law remedy.'

"3. With reference to the contents of the complaint, it is the general principle of pleading that the plaintiff's declaration or complaint should contain a direct and positive averment of all of the ultimate facts establishing his cause of action. This principle is applicable in actions of trespass on the case. A plaintiff under a general allegation of damages may recover *all such damages as are the natural and necessary result of such injuries as are alleged*, and the ordinary form of declarations in an action of trespass on the case simply sets out the acts complained of without averring that the plaintiff has suffered special damage. However, special or consequential damages, i.e., damages which do not necessarily result from the injury complained of and which the law does not imply as a result of that injury, must be particularly specified in the plaintiff's pleading and in an action of trespass on the case the recovery of special damages will not be permitted where they are not alleged in the declaration. 52 Am. Jur. 915 (#36).

“In the case at bar plaintiffs, as individuals, have sued the defendant for damages, and, as stated above, the action is in the nature of the common-law action of trespass on the case. This proceeding is permitted in Oregon. They set forth the acts of the defendant. They, as individuals, are entitled in the first instance to *damages to compensate them for all annoyance and inconvenience* that results to them by reason of any and all of the wrongful acts of the defendant. For instance, after defendant has invaded the rights of the plaintiffs by the installation of a machine shop, whether it was installed on July 9, 1944, or any other date, the plaintiffs are entitled to compensation for all of the annoyance and inconvenience they have suffered as a result thereof; and by the same token, if the defendant has improperly and unlawfully installed a sewage disposal plant that contaminates the water adjacent to plaintiffs’ swimming beach so that the plaintiffs are unable to use the same for themselves or for guests (whether paying guests or not) plaintiffs are entitled to recover damages therefor because this constitutes an annoyance and an inconvenience and a detriment to the plaintiffs’ property. This is so, notwithstanding that all of the acts of the defendant, according to plaintiffs’ complaint, taken together constitute a trespass on the case—an invasion of plaintiffs’ rights as owners of the property now known as Lake Tahkenitch Resort.”

As stated above, unfortunately by reason of the illness of the Court Reporter, the appellants are able in this case to request reversal for only one unlawful act of the defendant, as they have not sufficient Record to present any other alleged errors of the Court. Only in the matter of the sewage disposal plant of the defendant are we able to present sufficient Record to enable the Appellate Court to pass upon the question of whether

or not the learned Trial Judge committed error at the trial; and I understand that counsel for the defendant intends to maintain that we have not even sufficient Record for that purpose. However, we submit that the Record is sufficient to show that the Court erroneously took from the jury the question of damages to the plaintiffs resulting from discomfort and annoyance and loss of rentals which would certainly accrue from the unlawful manner in which the defendant constructed the sewage disposal plant from its large logging camp adjacent to plaintiffs' property. We believe that the Court should be liberal in the consideration of this matter by very reason of the fact that the plaintiffs can secure no better Record and that this condition exists through no fault of theirs.

Respectfully submitted,

HOY & PRAG,

Attorneys for Appellants.

In the United States
Circuit Court of Appeals
For the Ninth Circuit

H. W. FOWLER and U. Z. FOWLER,
Appellants,

vs.

CROWN-ZELLERBACH CORPORATION,
Appellee.

APPELLEE'S BRIEF

Upon Appeal from the District Court of the United
States for the District of Oregon.

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In the United States
Circuit Court of Appeals
For the Ninth Circuit

H. W. FOWLER and U. Z. FOWLER,
Appellants,

vs.

CROWN-ZELLERBACH CORPORATION,
Appellee.

APPELLEE'S BRIEF

Upon Appeal from the District Court of the United
States for the District of Oregon.

STATEMENT OF THE CASE

The judgment from which this appeal was taken was entered pursuant to Rule 50 (b). This rule provides that whenever a motion for a directed verdict is denied "the court is deemed to have submitted the action to the jury subject to a later determination of the legal questions raised by the motion." The rule further provides that "if a verdict was not returned such party, within ten days after the jury has been discharged, may move for judgment in accordance with his motion for a directed verdict."

As appears from the recitals of the judgment (Tr. of R. 40-1) defendant moved for a directed verdict, the court reserved decision on said motion, the jury was discharged without having returned a verdict, and defendant within ten days after the jury was discharged filed a motion for judgment "in accordance with its motion for a directed verdict." The motion was granted and the judgment accordingly entered.

In granting this judgment the court necessarily was convinced that plaintiffs had failed to produce sufficient evidence to take their case to a jury, that is, that they had failed to make a case for the jury that defendant violated any of plaintiff's rights or that plaintiffs were in any way damaged by any act of the defendant. Nothing in the record presented to this court remotely suggests that the trial court was in error in arriving at such conclusion. Despite vague suggestions in appellants' brief to the contrary (particularly page 6) we are justified in assuming — in fact must assume — for purposes of this appeal that plaintiffs introduced no substantial evidence in support of the many allegations of wrongful conduct on the part of defendant, or that they failed to prove any damage.

Appellants have brought the case to this court upon an entirely different theory. They say that they were prepared to prove that at some undesignated time subsequent to July 9, 1944, defendant installed a sewage disposal system and that it was installed in such a manner "as to be liable to contaminate" the waters of Lake Tahkenitch — which belong to the State of Oregon —,

and that they could have proven that at some unspecified date "actual tests" were made of the water and that it "was and is actually contaminated by these sewers, rendering it unfit for use as a bathing resort."

They have in the record what purports to be an offer of proof (Tr. of R. 74, Br. 3) but as we shall show it does not by any means comply with the legal requirements for an offer of proof.

Appellants also complain that the court "erred in ruling, in effect," that by closing their resort to the general public on July 9, 1944, plaintiffs "waived their rights to any damages to their property or property rights inflicted by the action of defendant subsequent to said date." However since the record does not point to any evidence from which any inference of damage to plaintiffs can be inferred either prior or subsequent to that date we take it that this assignment of error, if properly presented at all, only becomes material in connection with the above contention regarding the alleged contamination of the lake by defendant's sewage disposal system.

Before proceeding with our argument we wish to point out what we conceive to be erroneous statements in appellants' brief. The brief seems to proceed on the assumption that plaintiffs have an individual proprietary interest in Lake Tahkenitch. Thus reference is made to "the waters at the swimming beach and bathing resort of the plaintiffs" (Br. 5), and to defendant's "sewage disposal plant which emptied directly into the lake and close to the swimming float on plaintiffs' property" (Br.

6). The fact is that it is definitely agreed that plaintiffs own none of this lake, that it is the property of the State of Oregon, and that their property only abuts upon the lake (Complaint, Tr. of R. 2, Pretrial Order, Tr. of R. 27).

On page 5 after stating that the court excluded their offer of proof with respect to defendant's sewage disposal plant the statement is made that plaintiffs duly excepted to the said ruling of the court. We find nothing in the record on this point except the bare offer of proof—nothing with respect to objections to it, nor the ruling of the court thereon nor any exceptions.

On page 8 criticism is directed to the trial court for stating in its instructions that plaintiffs had "closed their property" on July 9, 1944. It is stated that this "was an arbitrary conclusion not warranted by the facts as shown by the stipulation of the parties set forth in the transcript of record." Of course this stipulation was not before the court; it was executed more than a year after the trial. The court's conclusion that plaintiffs had "closed their property" was based upon the evidence at the trial. Furthermore, the stipulation itself (Tr. of R. 50-1) is to the effect that plaintiffs had announced that on and after the above date "their resort would be closed to the public" and that on and after that date "the plaintiffs had excluded the general public from the premises and had built a fence between their premises and the public highway" and thereafter had used them "only as their residence and for the housing and entertainment of special guests whom they were willing to accept and who

made special reservations." We submit that even though the stipulation can be considered in this regard the court was correct in its statement that plaintiffs for all purposes pertinent to this case "closed their property."

On the same page appellants purport to tell the court the facts that would have been disclosed "if the full record were before this court"; among other things that "for a considerable portion of the time" after July 9, 1944 "the resort was fully occupied by guests who sent in special reservations." They then proceed with the argument that "this court will be able to appreciate the fact" that notwithstanding full occupancy when the "business" is conducted "in a limited manner," it "might be grievously impaired" by the alleged contamination of the bathing beach. We shall discuss these contentions later.

On page 10 there is what appears to us the most improper of appellants' statements in no way borne out by the record. It is here stated:

"The very fact that the conduct of the business was such that plaintiffs deemed it necessary to their safety that they should bar the general public (including agents of the defendant) from their property should give some indication of the extent to which the defendant had gone in trespassing upon the rights of the plaintiffs to the peaceful enjoyment of their property."

The above statement is of course entirely unsupported by the evidence. In the scanty record before this court the only reference in the testimony with respect to closing the resort is that in May, 1944, appellants, or at least one of them, had a conversation with a newspaper

editor and authorized an article to the effect that he was closing the resort and thereafter would use it only as his private home, and that thereafter, on June 26, a letter was written that appellants intended to place their property up for sale (Tr. of R. 62-4).

SUMMARY OF APPELLEE'S ARGUMENT

The following is a summary of our argument:

First. The specification of errors set forth in appellants' brief (p. 4) are so vague and uncertain that they entirely fail to comply with Rule 20 (d) of this court and present no question for review.

Second. Appellants' offer of proof (Tr. of R. 74, Br. 3) purports to deal only with conclusions, sets forth no relevant facts, does not give names of witnesses, does not indicate that any witness was actually called, and is entirely insufficient as an offer of proof.

Third. The instruction of the court of which complaint is made (Tr. of R. 76, Br. 3-4) is not accompanied by any indication that appellants objected or excepted to the giving of the instruction or the grounds of any such objection or exception.

Fourth. Under the allegations of the complaint (Tr. of R. 8) and the provisions of the pretrial order (Tr. of R. 32) the measure of damages, if plaintiffs were entitled to recover, was limited to the extent to which the value of their property was reduced by the conduct of defendant, if any, and the loss of normal income from their property as the result of defendant's acts.

Fifth. The same measure of damages was applicable as a matter of substantive law.

Sixth. There is no evidence in the record indicating that the alleged contamination of the lake took place at any time prior to the filing of plaintiffs' complaint, or that if it did it caused any discomfort or annoyance either to appellants or to any of their guests, or any loss of income to appellants.

Seventh: Contamination of the lake would constitute a public and not a private nuisance.

Eighth: For the above reasons the court properly rejected the offer of proof.

ARGUMENT

Appellants' Specification of Errors

Entirely Insufficient

Rule 20 (d) of this Honorable Court directs that with certain exceptions not here material, appellants' brief shall contain "a specification of errors relied upon which shall be numbered and shall set out separately and particularly each error intended to be urged." The rule further provides:

"When the error alleged is to the admission or rejection of evidence the specification shall quote the grounds urged at the trial for the objection and the full substance of the evidence admitted or rejected, and refer to the page number in the printed or typewritten transcript where the same may be found. When the error alleged is to the charge of

the court, the specification shall set out the part referred to in *totidem verbis*, whether it be in instruction given or in instruction refused together with the grounds of the objections urged at the trial."

It is of course obvious that appellants have not complied with this rule. They have in fact not endeavored at all to indicate in their specification of errors any specific rulings of the court. This is manifest from a mere reading of their specifications. They are as follows (Br. 4).

"(1) In assuming that under the pleadings the only damages to which the plaintiffs would be entitled would be damages by the way of loss of profits to their business as operators of a resort property.

"(2) Also, in ruling, in effect, that the plaintiffs by barring the general public from the grounds of their resort on July 9, 1944, and afterwards conducting their business in a limited manner and only on the basis of accepting guests or parties who made special reservations, lost their right to any damages suffered by them to their property or property rights inflicted by the action of the defendant subsequent to said July 9, 1944."

This court has on many occasions held that parties must comply with the above rule and that upon their failure to set forth specifically and fully each of the alleged errors complained of together with the grounds of objections, the court will not search the record to supply the deficiency or consider any such alleged errors. Some of the decisions of this court so holding are:

United States v. Smith, 55 Fed. (2d) 141, 143.

Dayton Rubber Manufacturing Co. v. Fabra, 63

Fed. (2d) 865, 866.

Fidelity and Deposit Co. v. Lindholm, 66 Fed. (2d) 56, 60.

Peck v. Shell Oil Co., 142 Fed. (2d) 141, 143.

Appellants call attention in their brief to the fact that due to the illness of the court reporter they have been unable to obtain a complete transcript of the record. It may be that for this reason appellants should be excused from setting forth the specifications of error with the same particularity that would be required had they been able to obtain such a complete transcript. But this we submit is no excuse for the vague generality of appellants' specifications. To merely state that the court was in error "in assuming that under the pleadings" damages were restricted to loss of profits or that the court erred "in ruling, in effect," that damages accruing subsequent to July 9, 1944, were not recoverable specifies no error whatsoever. It does not indicate whether in either instance the error was in the exclusion or reception of evidence, in restricting the purpose for which evidence was received, in limiting the scope of argument, in the giving of instructions or the refusal thereof, or anything else.

We look to other portions of the brief for these specifications and we find there that "it seems only necessary to direct attention to an excerpt from the trial proceedings, consisting of an offer of proof . . . and a portion of the court's instructions. . . ." (Br. 2-3). We shall discuss this so-called offer of proof and these instructions later. At this point we merely wish to note that (1) neither this so-called offer of proof nor the instructions is mentioned in either specification of error, and (2)

while we do not wish to minimize the handicap of appellants in being unable to secure a complete transcript it should be noted that they were able to obtain considerably more than they refer to in the brief. The portion of the instructions referred to in the brief (pp. 3-4) is only a small part of the instructions that they actually were able to obtain from the reporter (Tr. of R. 74-7). So we believe it may logically be assumed that if objections or exceptions were taken to the instruction of which complaint is made appellants could, if they desired, obtain a transcript thereof, together with the grounds of the objection.

Be that as it may, in view of the above and of the state of the record we feel that the utmost which we not only can be expected to discuss but with propriety may discuss, are those points which appellants state "it seems only necessary to direct attention to" (Br. 2), that is the "offer of proof" (Br. 3) and the quoted instructions of the court (Br. 3-4).

Appellants' Offer of Proof Was Inadequate to Present Any Question

Offers of proof are of course necessary under the Federal Rules of Civil Procedure, as they were at Common Law. *Jantz v. United States*, 127 Fed. (2d) (8 CCA) 498, and cases cited at page 503. Prior to the adoption of the rules the requisites of an offer of proof were governed by the Conformity Act. Rule 43(c) provides:

"In an action tried by a jury, if an objection to

a question propounded to a witness is sustained by the court, the examining attorney may make a specific offer of what he expects to prove by the answer of the witness."

In other words, the purpose of the offer is to determine whether or not a ruling *theretofore* made by the court in sustaining an objection to a question is, if error, prejudicial. The above rule accordingly recognizes the pre-existing practice which existed in most states that prior to the making of the offer of proof a witness must have actually been called to the witness stand, a question must have been propounded to him and an objection to the question sustained. And the attorney must make "a specific offer of what he expects to prove by the answer of the witness."

A good opinion outlining the requisites of an offer of proof is that of Mr. Justice McCamant (later a member of this Honorable Court) in *Columbia Realty Investment Co. v. Alameda Land Co.*, 87 Ore. 277, 168 Pac. 64, 440. It is there pointed out that the better practice requires that prior to the making of an offer of proof a witness must be called and asked an appropriate question (87 Ore. p. 290), although some decisions (including *Scotland County v. Hill*, 112 U.S. 183) only required that the witness be named.

In the opinion on rehearing (87 Ore. p. 296) the court after citing many authorities drew the following conclusions:

"An offer of proof should state facts rather than conclusions. Its language should not be vague, but distinct; not general, but specific. It is not sufficient that it state the ultimate facts in the language ap-

propriate to a pleading; the evidentiary facts must be set out."

See also to the same effect 4 Nichols Applied Evidence, pp. 3355-7.

Now when we turn to appellants' offer of proof (Br. 3) we find that all the above rules were violated. In addition to the fact that no witness was actually called to the stand, none is named. Reference was made to "State Health Officer." The recital of what was intended to be proved by that official was that "the sewage disposal plant of the defendant was improperly installed in violation of the Oregon statute with reference to installation of sewage disposal plants and was dangerous, and that it was so installed as to be liable to contaminate the water at the swimming and bath resort of the plaintiff."

In answer to a query from the court, counsel stated that the plant was installed subsequent to July 9, 1944 "I think." It was then stated that the appellee had been warned "that the same was wrong and dangerous — was warned by a licensed plumber" — whether it was intended to prove this by the State Health Officer or otherwise is not disclosed. The offer then proceeds that "we would prove by expert testimony of actual tests made by the experts personally that the water at the plaintiffs' said bathing beach was and is actually contaminated by these sewers, rendering it unfit for use as a bathing resort."

The only effect of the above statement was to advise the court that somebody could testify to "actual tests made by the experts" and that there was available "ex-

pert testimony” to the effect that the water in the lake “was and is actually contaminated” and that if permitted to do so experts would say that the contamination was “by these sewers” with the effect of “rendering it unfit for use as a bathing resort” (We assume that appellants’ attorney by referring to “the swimming and bath resort of the plaintiffs” did not mean to imply that plaintiffs owned any portion of the lake. The lake is owned by the State of Oregon, and plaintiffs only own abutting property. Tr. of R. 2-27).

It is of course manifest that the above offer merely states conclusions, without giving any underlying facts. Furthermore it gives no indication as to the time involved. There is no offer to prove that the sewage disposal plant was even installed prior to the date of the filing of the complaint. There is no indication as to when the tests were made that were to be the supposed basis of the “expert testimony.” Even though we accept the conclusions set forth in the offer as properly admissible it goes no further than to state that the installation was such “as to be liable to contaminate” the waters of the lake and that at some time — it may have been during the trial of the case — tests were made to show that at that time the water was “actually contaminated.”

Finally, there is certainly nothing in the offer to suggest that either of the appellants ever endeavored to swim in the waters of the lake, that they lost any profits by reason of the alleged contamination, that the alleged contamination was such as to “constitute a discomfort and annoyance and a very probable injury to health as

to the plaintiffs and their guests" (See Appellants' Br. 7), nor even that any person whether using the lake for swimming or otherwise had been aware of the contamination.

Certainly the offer of proof does not support appellants' statement that the sewage disposal plant "emptied directly into the lake and close to the swimming float on plaintiffs' property" (Br. 6). Without any suggestion that we can go outside the record to advise the court as to the construction of the sewage disposal plant, we believe we may properly state that the offer of proof is in no way inconsistent with a disposal plant properly equipped with septic tanks with outlets constructed in such a way that normally the effluent would seep into the ground and never reach the lake and that in normal times it so operated; but that in certain seasons of the year when the porosity of the soil due to weather conditions was less than had been anticipated a portion of it would flow into the lake, but not "close to the swimming float."

Under the Pleadings and the Pre-trial Order the Court Applied the Proper Measure of Damages

Neither the transcript of the record nor plaintiffs' brief discloses the reason for the rejection by the court of appellants' offer of proof. We believe that we may safely state that the rejection was based, not upon any of the inherent defects above pointed out, but upon the court's conception of the proper measure of damages to which plaintiffs were entitled if they recovered a verdict.

If that measure of damages was correct then it will necessarily follow that the court did not err either in rejecting the offer of proof or in giving to the jury the instruction of which appellants complain (Br. 3-4).

The complaint alleges (Tr. of R. 2-3) that plaintiffs are the owners of land "abutting on Lake Tahkenitch" in which they have invested "a large amount of money with the purpose of operating the said property as a recreational resort." At no place in the pleadings is there any allegation or even suggestion that this land is used for residential purposes. The first cause of suit after alleging numerous alleged wrongs on the part of defendant (that relating to the sewage disposal being on information and belief Tr. of R. 7) makes the following allegation with respect to damages (Par. V of First Cause of Action, Tr. of R. 8):

"That by reason of the facts hereinbefore set forth said property of the plaintiffs has been and is rendered of little or no value as a recreational resort, and plaintiffs have lost (By Order 6/22/45 VOB) and will lose much of the normal income therefrom all to plaintiffs' damage in the full sum of \$50,000.00;"

Appellants also allege they are entitled to \$100,000 punitive damages and the prayer of complaint (Tr. of R. 11) is that upon their first cause of action they recover \$150,000.

Inasmuch as a pre-trial order was later entered, setting forth all the issues to be tried, it has perhaps been unnecessary to refer to Appellants' Complaint. That pre-trial order provides that "among the issues to be tried

by reason of plaintiffs' contentions" (Tr. of R. 30) is, if it be determined that plaintiffs are entitled to recover (Tr. of R. 32):

" . . . then it is for the jury to determine *how much*, if any, *was the value of said property of the plaintiffs reduced* by the said conduct of the defendant, and *how much*, if any, *did the plaintiffs lose of the normal income from their said property* as the result of such act or acts." (Italics added).

The pre-trial order also has the following provision (Tr. of R. 39):

"Ordered, Considered and Adjudged that the foregoing constitutes the Pre-Trial Order in the above entitled action and shall supersede the pleadings, and that the Pre-Trial Order shall not be amended in the trial except by consent or by order of the Court to prevent manifest injustice."

The pre-trial conference and the order entered as a result thereof are of course authorized by Rule 16 of the Rules of Civil Procedure. This rule provides that one of the purposes of the conference may be "the simplification of the issues" and provides that:

"The court shall make an order which recites the action taken at the conference . . . and which limits the issues for trial to those not disposed of by admissions or agreements of counsel; and such order when entered controls the subsequent course of the action, unless modified at the trial to prevent manifest injustice."

No objection was made by appellants to the entry of this pre-trial order. No request was made for an amendment of the complaint respecting the measure of damages or for an amendment of the pre-trial order. It is therefore clear that the measure of damages to be ap-

plied was as above stated. There was accordingly no occasion at the trial to consider any question of "discomfort and annoyance" or of "injury to health" even though there had been some evidence indicating discomfort, annoyance or injury to health, and the record shows none. Nor was there any offer of proof of any such element of damage.

The allegations of the complaint and the pre-trial order designated two types of damage: (1) Diminution in value of property and (2) loss of "normal income." But since the alleged acts on the part of the defendant were only temporary in nature — and for present purposes we are concerned only with the alleged sewage disposal system — the claimed depreciation of value was eliminated as a measure of damages. See *Porges v. Jacobs*, 75 Ore. 488, 147 Pac. 396, where the court held it was error for the trial court to admit depreciation in the market value of plaintiff's property caused by an alleged nuisance. The court said:

"The reason why such evidence is inadmissible in cases of this kind is that the alleged nuisance is temporary and can be abated."

Court Properly Excluded Evidence of Sewage Disposal Plant

It will be recalled that in making his offer of proof (App. Br. 3) appellants' counsel stated that the sewage disposal system had been installed subsequent to July 9, 1944. It will also be recalled that prior to July 9, 1944 "plaintiffs had announced that on and after that date

their resort would be closed to the public and on and after that date the plaintiffs had excluded the general public from the premises and had built a fence between their premises and the public highway and had used the premises thereafter only as their residence and for the housing and entertainment of special guests whom they were willing to accept and who made special reservations to enter the premises for recreational purposes" (Tr. of R. 50-1).

In other words, for reasons satisfactory to themselves, appellants went out of business as resort owners on July 9, 1944. It is of interest to note, despite their charges that they lost income due to defendant's conduct, that prior to thus closing their resort their cabins were almost always filled to capacity during week-ends, and even during the middle of the week they often had to turn people away, and when they closed the resort on July 9 they had to cancel reservations for all of their cabins, they being entirely filled at that time (Tr. of R. 56-7). They now say that notwithstanding the fact that they closed down their business on July 9 — or as appellants put it "conducted the business in a limited manner" (Br. 8) — they should nevertheless have been permitted to introduce evidence of contamination of the lake which occurred subsequent to that time because, as they say, they "assume that this court will be able to appreciate the fact that a business thus conducted by the plaintiffs in a limited manner might be grievously impaired by the fact that their bathing beach was being rendered unusable and dangerous to health by the wrongful and un-

lawful action of the defendant.” They make this contention despite their own volunteered statement that “for a considerable portion of this time the resort was fully occupied by guests who sent in special reservations” (Tr. of R. 8). We submit that, aside from the deficiencies of the offer of proof, appellants’ contention is unsound, and for three reasons.

First: As the trial court succinctly stated it: “I don’t see how anybody could claim profits against somebody else if he decided for his own reasons to close his own business.” (Tr. of R. 76). Appellants argue that the stipulation indicates that they were in business “in a limited manner.” But this stipulation is to the effect that their place of business was “closed to the public” (Tr. of R. 50), in fact that they built a fence between their premises and the public highway — presumably to impress upon the public that the public was not welcome. Thereafter, aside from their own residence, they used the premises “for the housing and entertainment of special guests whom they were willing to accept and who made special reservations” (Tr. of R. 51).

Appellants do not suggest any theory, and we believe none can be evolved, to measure loss of income due to a third party’s acts when this type of “business” is closed to the public and is being conducted under the above circumstances.

Second: No attempt was made by appellants to prove that subsequent to July 9, 1944, they suffered any loss of income because of the alleged contamination of the lake by any sewage disposal plant of appellee. Nor

was there any offer of proof of any evidence to indicate that any loss of income resulted from that fact, or anything else for which appellees might be said to be responsible. In fact there was no evidence of any diminution of income whatever (See Tr. of R. 53-62). And in their brief, as above pointed out, their only contention in that regard — after stating that “the full record” would show “that for a considerable portion of this time the resort was fully occupied by guests who sent in special reservations” — is that “this court will be able to appreciate” that the business would be “grievously impaired” and that “the owner’s ardor for work and for soliciting patronage thereby would be dampened, if not destroyed.” (Br. 8). This contention they make notwithstanding the fact that there is neither evidence nor offer of proof that the owners even knew about the alleged contamination during the time in question. There is, of course, no suggestion in the record that either the owners or any of their “special guests” ever bathed in the lake, or desired to do so, during this period of time, and certainly nothing indicates that any of them suffered any “discomfort and annoyance” by reason of this alleged contamination of the lake. Furthermore, as has already been pointed out, such elements of damage are not presented either in the pleadings or the pre-trial order.

Third: If, as appellants contend, the lake was contaminated by a wrongful act of appellee, the resulting wrong was in the nature of a public nuisance and not a private nuisance. It was a public wrong and not a private wrong. The remedy therefore lies with the State through its public officials and not with a private individual.

The case here presented must be distinguished from a situation where noxious or injurious odors flow over a person's property. It also must be distinguished from numerous cases where an upland owner contaminates waters of a stream to the damage of a lower riparian owner who has made a valid appropriation of waters of the stream and is damaged by the contamination. Likewise it must be distinguished from a case such as *Columbia Fisherman's Union v. St. Helens*, 160 Ore. 654, 87 Pac. (2d) 195, where plaintiffs had secured commercial fishing licenses to fish in the Columbia River and were injured in their trade and business by pollution of the river.

Upon the admission of Oregon to the Union it succeeded to the title to this lake, as well as to all other navigable waters of the state with the proviso that these navigable waters "shall be common highways and forever free, as well as to the inhabitants of said state as to all other citizens of the United States" (11 Statutes at Large, Chapter 33, Sec. 2, p. 383, 9 O.C.L.A. p. 72). By subsequent legislation this and all other meandered lakes are "declared to be navigable and public waters, and the waters thereof are hereby declared to be of public character . . . and the State of Oregon hereby asserts and declares its sovereignty over the same and its ownership thereof" (8 O.C.L.A. Sec. 121-503). The ownership of the State of Oregon is subject to "the public right of navigation and to the common right of the citizens of the state who fish therein." *Hume v. Rogue River Company*, 51 Ore. 237, 246, 83 Pac. 391, 92 Pac. 1065, 96

Pac. 865, and cases cited.

Accordingly, appellants have the same right to bathe in that lake as does every other citizen of the State of Oregon, and no more. The guests whom they invite to their premises have the same rights as the guests of owners of other property. If they suffered any damage or inconvenience (the record fails to disclose any) by reason of contamination of the lake it was of the same character as that of any other citizen who might desire to use the lake.

Under such circumstances it seems clear that the wrong, if any, attempted to be set forth in the offer of proof was in the nature of a public nuisance and not a private wrong. As stated by the Supreme Court of Oregon in *State v. Ringold*, 102 Ore. 401, at 404, 202 Pac. 734:

“A nuisance is public where it affects the rights enjoyed by citizens as part of the public, that is, the rights to which every citizen is entitled. A private nuisance is anything done to the hurt, annoyance or detriment of the lands or hereditaments of another, and not amounting to a trespass. The difference between public and private nuisances does not depend upon the nature of the thing done, but upon the question whether it effects the general public or merely some private individual. Therefore the same act or structure may be a public nuisance and also a private nuisance as to a person who is thereby caused a special injury other than that inflicted upon the general public;”

And of course appellants have no private right of action for what is only a public nuisance. *State v. Ringold*,

supra, 102 Ore. 401, 405, 202 Pac. 734.

Respectfully submitted,

CAKE, JAUREGUY & TOOZE

NICHOLAS JAUREGUY

GRIFFITH, PECK, PHILLIPS & NELSON

JOHN J. COUGHLIN

CLARENCE D. PHILLIPS

Attorneys for Appellee.

United States
Circuit Court of Appeals
For the Ninth Circuit.

SUZANNE FITZGERALD FAWCETT, GERALDINE FITZGERALD CALLAGHAN, GERALDINE FITZGERALD CALLAGHAN, as Executrix of the Last Will and Testament of Gerald Fitzgerald, Deceased, and EDWARD F. TREADWELL, Administrator of the Estate of Lillian Ryan Fitzgerald, Deceased,
Appellants,

vs.

UNITED STATES OF AMERICA,
Appellee.

Transcript of Record

Upon Appeal from the District Court of the United States
for the Northern District of California,
Southern Division

United States
Circuit Court of Appeals

For the Ninth Circuit.

SUZANNE FITZGERALD FAWCETT, GERALDINE FITZGERALD CALLAGHAN, GERALDINE FITZGERALD CALLAGHAN, as Executrix of the Last Will and Testament of Gerald Fitzgerald, Deceased, and EDWARD F. TREADWELL, Administrator of the Estate of Lillian Ryan Fitzgerald, Deceased,
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Southern Division

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in *italic*; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in *italic* the two words between which the omission seems to occur.]

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NAMES AND ADDRESSES OF ATTORNEYS

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Attorney for Plaintiffs and Appellants.

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Northern District of California.

MR. WILLIAM E. LICKING,

Assistant United States Attorney,

Northern District of California.

Post Office Building,

San Francisco, California.

Attorneys for Defendant and Appellee.

Decision of the Honorable Michael J. Roche,

District Judge.

In the District Court of the United States, Northern
District of California, Southern Division

No. 25839 S

SUZANNE FITZGERALD FAWCETT, GERALDINE FITZGERALD CALLAGHAN, GERALDINE FITZGERALD CALLAGHAN as Executrix of the Last Will and Testament of GERALD FITZGERALD, Deceased, and EDWARD F. TREADWELL, Administrator of the Estate of Lillian Ryan Fitzgerald, Deceased,
Plaintiffs,

vs.

UNITED STATES OF AMERICA,
Defendant.

PETITION

Now come the plaintiffs above named and complaining of the defendant above named, allege as follows:

I.

That the plaintiff Suzanne FitzGerald Fawcett resides at the City of Piedmont, County of Alameda, California, in the Northern District of California, and the plaintiff Edward F. Treadwell resides at the City of Burlingame, County of San Mateo, California, in the Northern District of California.

II.

That this petition against the United States of

America is presented pursuant to the provisions of Section 24(20) of the Judicial Code as amended (28 U.S.C. 41(20)).

III.

That at the time of the wrongful, erroneous, illegal and inadvertent assessment and collection of estate tax herein alleged, the Collector of Internal Revenue for the Sixth District, California, by whom such tax or sum was collected, was Nat Rogan, who is now deceased.

IV.

At all times herein mentioned the plaintiff Edward F. Treadwell was the duly appointed, qualified and acting administrator of the estate of Lillian Ryan FitzGerald, deceased, until the discharge as herein alleged.

V.

Prior to any of the times herein mentioned, Lillian Ryan FitzGerald died, being at the time of her death a resident of the State of California, and leaving estate therein.

VI.

Within the time and in the manner provided by law, the administrator of the estate of Lillian Ryan FitzGerald duly elected to pay estate tax to the United States on said estate, on the value of the property of her estate one year after the time of the death of said decedent.

VII.

Thereafter the Commissioner of Internal Revenue of the United States made what purported to be an assessment of estate tax on the said estate at the value thereof one year after the date of death of said decedent in the sum of \$47,502.59. The said assessment was purported to be made under the provisions of the Internal Revenue Code, Chapter 3, as amended. Of said assessment the sum of \$1,289.72 purported to be based on subchapter A, basic estate tax, the sum of \$4,318.42 purported to be based on the defense tax, subchapter C, and the sum of \$41,894.45 purported to be based on subchapter B, additional estate tax.

VIII.

Prior to the time said Commissioner made the said assessment, the Treasury Department of the United States had adopted certain regulations which provided for the inclusion in the gross estate of decedents dividends paid on corporate stock of such estate during the year following the date of death of the decedent, which regulations were entirely illegal and unauthorized, and the same were declared to be illegal by the Supreme Court of the United States in the case of *Maass v. Higgins*, 312 U.S. 443, 85 L. ed. 940, decided on March 3, 1941. Following the said decision, and on May 22, 1941, said regulations were changed to comply with the said decision.

IX.

Notwithstanding the premises, the said Commissioner wrongfully and illegally and inadvertently

added to the value of the gross estate of said decedent the sum of \$27,199 declared and received by said estate during the year next ensuing the date of the death of decedent as dividends on stocks owned by said decedent and her estate.

X.

The said inclusion of said dividends increased the tax legally assessable in the sum of \$5,026.38, which amount was paid on the 12th day of January, 1942, to Nat Rogan, Collector of Internal Revenue of the United States for the Sixth District, California.

XI.

The inclusion of said amount in computing said tax was not authorized by law, was wrongful, erroneous and illegal, and inadvertent.

XII.

Thereafter, and on the 21st day of December, 1942, the Superior Court of the State of California, in and for the County of Los Angeles, having jurisdiction of the administration of the estate of said Lillian Ryan FitzGerald, duly distributed all of the property of the said decedent and her estate to her children, Geraldine FitzGerald Callaghan, Suzanne FitzGerald Fawcett and Gerald FitzGerald, and discharged the said administrator. On the 5th day of June, 1943, said Gerald FitzGerald entered the armed forces of the United States, and went overseas on or about the 12th day of January, 1945, and re-

maintained overseas, in the United States Army Air Force, until his death in action on March 2, 1945. Thereafter, and after due and regular proceedings had in the Superior Court of the State of California, in and for the County of Los Angeles, having jurisdiction over the estate of the said Gerald FitzGerald, deceased, said Court duly appointed Geraldine FitzGerald Callaghan as executrix of the last will and testament of the said Gerald FitzGerald, deceased, and she duly qualified as such and ever since has been and now is the duly appointed, qualified and acting executrix of the last will and testament of the said Gerald FitzGerald, deceased. At all the times up to his death, the said Gerald FitzGerald was a minor.

XIII.

Thereafter and on the 16th day of November, 1945, said Geraldine FitzGerald Callaghan, Suzanne Fitzgerald Fawcett, Geraldine FitzGerald Callaghan as executrix of the will of Gerald FitzGerald, deceased, and Edward F. Treadwell, administrator of the estate of Lillian Ryan FitzGerald, deceased, duly filed and presented to the Commissioner of Internal Revenue of the United States, on Form 843, a claim for the refunding of said sum of \$5,026.38, together with interest from January 12, 1942, in which it was stated that the estate tax return was filed in Los Angeles, California, the amount of the tax and date of payment, and the said amount for which refund was claimed, and that the time within which the claim could be legally filed expired under

Section 3313 of the Internal Revenue Code on January 12, 1946, and set forth that the said claim should be allowed for the reasons set forth in this complaint.

XIV.

Thereafter and on the 28th day of December, 1945, the United States Commissioner of Internal Revenue rejected said claim.

Wherefore, plaintiffs pray judgment against said defendant for the sum of \$5,026.38, together with interest at 6% per annum from January 12, 1942.

REGINALD S. LAUGHLIN,
Attorney for Plaintiffs.

State of California,
City and County of San Francisco—ss.

Edward F. Treadwell, being first duly sworn, deposes and says: That he is one of the plaintiffs in the foregoing petition; that he has read said petition and knows the contents thereof, and that the same is true of his own knowledge except as to those matters which are therein stated on information and belief, and that as to those matters he believes it to be true.

EDWARD F. TREADWELL.

Subscribed and sworn to before me this 4th day of April, 1946.

[Seal] LULU P. LOVELAND,
Notary Public in and for the City and County of
San Francisco, State of California.

[Endorsed]: Filed April 5, 1946.

[Title of District Court and Cause.]

ANSWER

Now comes the defendant, United States of America, by its attorney, Frank J. Hennessy, United States Attorney for the Northern District of California, and in answer to plaintiffs' complaint admits, denies and alleges as follows:

First Defense

The claim for refund referred to in paragraph XIII of the complaint was not filed within the time prescribed by Section 910 of the Internal Revenue Code.

Second Defense

1.

Admits the allegations contained in paragraph I thereof.

2.

Admits the allegations contained in paragraph II thereof.

3.

Answering the allegations contained in paragraph III thereof, defendant admits only that the tax was collected by Nat Rogan, now deceased.

4.

Admits the allegations contained in paragraph IV thereof.

5.

Admits the allegations contained in paragraph V thereof.

6.

Admits the allegations contained in paragraph VI thereof.

7.

Admits the allegations contained in paragraph VII thereof.

8.

The defendant makes no answer to the allegations contained in paragraph VIII of the complaint for the reason that said allegations are conclusions of law and not allegations of fact.

9.

As concerns paragraph IX, defendant admits only that the Commissioner added to the value of the gross estate of said decedent the sum of \$27,199 declared and received by said estate during the year next ensuing the date of the death of decedent as dividends on stocks owned by said decedent and her estate.

10.

Admits the allegations contained in paragraph X thereof.

11.

The defendant makes no answer to the allegations contained in paragraph XI of the complaint for the

reason that said allegations are conclusions of law and not allegations of fact.

12.

Admits the allegations contained in the first portion of paragraph XII, i.e., that on the 21st day of December, 1942, the Superior Court of the State of California, in and for the County of Los Angeles, having jurisdiction of the administration of the estate of said Lillian Ryan FitzGerald, distributed all of the property of the said decedent and her estate to her children, Geraldine FitzGerald Callaghan, Suzanne Fitzgerald Fawcett and Gerald FitzGerald, and discharged the said administrator. As concerns the remainder of the said paragraph, defendant is without knowledge or information sufficient to form a belief as to the truth of the averments therein set forth.

13.

As concerns paragraph XIII defendant, without admitting that Edward F. Treadwell was in fact administrator of the estate of Lillian Ryan FitzGerald, concedes that on the date stated (or on November 19, 1945) a refund claim was filed as alleged. Without admitting that the claim was timely or that Section 3313, Internal Revenue Code, affects this case, defendant admits that the claim filed made the statements averred.

14.

Admits the allegations contained in paragraph XIV thereof.

Wherefore, having fully answered, defendant prays that plaintiffs take nothing by their complaint and that defendant be hence dismissed with its costs in its behalf expended.

FRANK J. HENNESSY,
United States Attorney.
WILLIAM E. LICKING,
Asst. United States Attorney,
Attorneys for Defendant.

[Endorsed]: Filed July 24, 1946.

[Title of District Court and Cause.]

AFFIDAVIT

County of Los Angeles,
State of California—ss.

Geraldine FitzGerald Callaghan, being first duly sworn, deposes and says:

That she is one of the plaintiffs in the above-entitled action, and is a sister of Gerald Fitzgerald, now deceased. On the 5th day of June, 1943, said Gerald Fitzgerald entered the armed forces of the United States and went overseas on or about the 12th day of January, 1945, and remained overseas in the United States Army Air Force until his death in action on March 2, 1945. Information of his death in action on the date thereof came to affiant from the officials of the United States Army Air Force.

GERALDINE FITZGERALD
CALLAGHAN.

Subscribed and sworn to before me this 22nd day of October, 1946.

[Seal] /s/ L. CARDER,
Notary Public in and for the County of Los Angeles,
State of California.

My Commission Expires May 30, 1950.

PLAINTIFF'S EXHIBIT No. 1

In the Superior Court of the State of California
in and for the County of Los Angeles

Case No. 245609

In the Matter of
THE ESTATE OF GERALD FITZGERALD
Deceased

LETTERS TESTAMENTARY

State of California,
County of Los Angeles—ss.

The Last Will of Gerald Fitzgerald, deceased, having been proved in the Superior Court of the County of Los Angeles, Geraldine F. Callaghan, who is named therein as such, is hereby appointed Executrix.

Witness, J. F. Moroney, Clerk of the Superior

Court of the County of Los Angeles, with the seal of the Court affixed, the 14 day of August, 1945.

By order of the Court.

[Seal] J. F. MORONEY,
 County Clerk.
By MARIE McCARTHY,
 Deputy.

State of California,
County of Los Angeles—ss.

I do solemnly swear that I will support the Constitution of the United States, and the Constitution of the State of California, and that I will faithfully perform, according to law, the duties of Executrix of the last Will and Testament of Gerald Fitzgerald, deceased.

GERALDINE F. CALLAGHAN.

Subscribed and sworn to before me, this 14 day of August, 1945.

[Notary Seal] H. B. PARKHURST,
Notary Public in and for the County of Los Angeles,
State of California.

State of California,
County of Los Angeles—ss.

I, J. F. Moroney, County Clerk and ex-officio Clerk of the Superior Court within and for the county and state aforesaid, do hereby certify the foregoing to be a full, true and correct copy of the original Letters Testamentary issued herein, as the

same appears on file in my office, and I further certify that said Letters have not been revoked and are in full force and effect at the present time.

In Witness Whereof, I have hereunto set my hand and affixed the seal of the Superior Court this 15th day of August, 1946.

[Seal]

J. F. MORONEY,

County Clerk.

By G. J. HOWARD,

Deputy.

[Endorsed]: Filed Aug. 14, 1945.

[Endorsed]: Filed U.S.D.C. Nov. 20, 1946.

In the Southern Division of the United States
District Court for the Northern District of
California

No. 25839-S

SUZANNE FITZGERALD FAWCETT, GERAL-
DINE FITZGERALD CALLAGHAN, GER-
ALDINE FITZGERALD CALLAGHAN, as
Executrix of the Last Will and Testament of
GERALD FITZGERALD, Deceased, and ED-
WARD F. TREADWELL, Administrator of
the Estate of Lillian Ryan Fitzgerald, Deceased,
Plaintiffs,

vs.

UNITED STATES OF AMERICA,
Defendant.

ORDER FOR JUDGMENT

It is hereby ordered that a Judgment of Dis-
missal be entered herein on findings of fact and con-
clusions of law.

Dated March 11th, 1947.

MICHAEL J. ROCHE,
United States District Judge.

[Endorsed]: Filed March 11, 1947.

[Title of District Court and Cause.]

Action for refund of federal estate taxes. Action dismissed in accordance with opinion.

Reginald S. Laughlin, of San Francisco, California, attorney for plaintiffs.

Frank J. Hennessy, United States Attorney, and William E. Licking, Assistant United States Attorney, attorneys for defendant.

MEMORANDUM OPINION

Roche, District Judge:

This is an action by certain distributees and the executrix of a deceased distributee, of the estate of Lillian Ryan Fitzgerald, to recover the sum of \$5,026.38, assessed as estate tax, with interest thereon from January 12, 1942, the date of payment. This assessment resulted from the Commissioner of Internal Revenue having included in the value of the gross estate the sum of \$27,199.00 received during the year subsequent to the decedent's death as dividends on stock owned by the decedent. Defendant admits that this assessment was erroneous and illegal and the sole question for decision is whether the claim for refund was timely filed.

Plaintiffs filed their claim on November 16, 1945, some three years and ten months after payment of the tax, and the Commissioner rejected it on the ground that it had not been filed within the three-year period provided by Sec. 910 of the Internal Revenue Code (26 U.S.C. 910). So far as pertinent, that section provides: "All claims for the re-

funding of the tax imposed by this subchapter (the Basic Estate Tax) alleged to have been erroneously or illegally assessed or collected must be presented to the Commissioner within three years next after the payment of such tax.”

Plaintiffs contend that since the assessment was erroneous and illegal, it falls within the provisions of Sec. 3313, Internal Revenue Code (26 U.S.C. 3313), and their claim was timely if filed within four years from the date of payment. The pertinent provisions of that section are as follows: “All claims for the refunding or crediting of any internal revenue tax alleged to have been erroneously or illegally assessed or collected, * * * or of any sum alleged to have been excessive or in any manner wrongfully collected must, except as otherwise provided by law in the case of income, war-profits, excess-profits, estate, and gift taxes, be presented to the Commissioner within four years next after the payment of such tax * * *.”

In support of their position, plaintiffs rely on cases that have followed the decision of the Ninth Circuit Court of Appeals in *Huntley v. Southern Oregon Sales, Inc.*, 102 F. 2d 538. There income taxes were collected from a co-operative association that was exempt by law from taxation and the question was whether the two-year limitation period provided by Sec. 322(b) (1) of the Revenue Act of 1928 to cover claims for refund of overpayment of income tax, or the four-year limitation period covering refund claims for an erroneously or illegally collected tax, should govern. In holding that the

four-year statute controlled, the court drew the well recognized distinction between an "overpayment" of a tax legally due and an "illegal assessment" of a tax and concluded that since the two-year limitation period applied only to an overpayment of income tax, it did not cover the case where the tax had been erroneously and illegally collected.

The Huntley case is thus clear authority for the rule that where a tax statute provides a specific limitations period within which claims for refund of an overpayment can be filed, such limitations period is not applicable to a claim for refund of an illegally or erroneously assessed tax. It would seem, however, to have no application to the instant situation since, by its very terms, the limitation period covering claims for refund of estate taxes is applicable only to those taxes "alleged to have been erroneously or illegally assessed or collected." It says nothing about "overpayments."

In the language of the Supreme Court in *Rosenman v. United States*, 323 U.S. 658, 661: "Claims for tax refunds must conform strictly to the requirements of Congress. A claim for refund of an estate tax 'alleged to have been erroneously or illegally assessed or collected must be presented to the Commissioner within three years next after the payment of such tax.' On the face of it, this requirement is couched in ordinary English, and, since no extraneous revelant aids to construction have been called to our attention, Congress has evidently meant what these words ordinarily convey."

Plaintiffs' only authority directly in point is In

re Tindle's Estate, 59 F. Supp. 667, affirmed without comment in 152 F. 2d 756, which involved an illegal assessment of estate tax. The trial court there held Sec. 3313 with its four-year limitation period applicable. However, since that decision followed *Rosenman v. United States* (supra) by only a few weeks, it may be that the Supreme Court case was not called to the court's attention.

In view of the language of the statute and of the Supreme Court, the court is compelled to dismiss this suit for lack of jurisdiction, the claim not having been timely filed, and it is so Ordered. The respective parties will pay their own costs.

Dated: March 11th, 1947.

MICHAEL J. ROCHE,

United States District Judge.

[Endorsed]: Filed Mar. 11, 1947.

[Title of District Court and Cause.]

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The above entitled cause came on regularly to be tried on November 20, 1946, plaintiffs appearing by Reginald S. Laughlin, their attorney, and the defendant by William E. Licking, Assistant United States Attorney; evidence both oral and documentary was introduced and received and the cause having been fully heard, argued by counsel, briefed,

and on February 8 submitted, and the Court being fully advised in the premises on March 11, 1947, ordered that a judgment of dismissal be entered herein.

Now, Therefore, the Court makes the following

Findings of Fact

I.

The Court finds that it is true that the plaintiff Suzanne FitzGerald Fawcett resides at the City of Piedmont, County of Alameda, California, in the Northern District of California, and the plaintiff Edward F. Treadwell resides at the City of Burlingame, County of San Mateo, California, in the Northern District of California.

II.

That this petition against the United States of America seeks to recover taxes alleged to have been erroneously and illegally assessed and collected and is presented pursuant to the provisions of Section 24 (20) of the Judicial Code as amended (28 U.S.C. 41 (20)).

III.

That at the time of the collection of estate tax herein, the Collector of Internal Revenue for the Sixth District, California, by whom such tax or sum was collected, was Nat Rogan, who is now deceased.

IV.

At all times herein mentioned the plaintiff Edward F. Treadwell was the duly appointed, qualified

and acting administrator of the estate of Lillian Ryan FitzGerald, deceased, until his discharge as hereinafter set out.

V.

Prior to any of the times herein mentioned, Lillian Ryan FitzGerald died, being at the time of her death a resident of the State of California, and leaving estate therein.

VI.

Within the time and in the manner provided by law, the administrator of the estate of Lillian Ryan FitzGerald duly elected to pay estate tax to the United States on said estate, on the value of the property of her estate one year after the time of the death of said decedent. Thereafter the Commissioner of Internal Revenue of the United States made an assessment of estate tax on the said estate at the value thereof one year after the date of death of said decedent.

VII.

Prior to the time said Commissioner made the said assessment, the Treasury Department of the United States had adopted certain regulations which provided for the inclusion in the gross estate of decedents dividends paid on corporate stock of such estate during the year following the date of death of the decedent.

VIII.

The Commissioner added to the value of the gross estate of said decedent the sum of \$27,199 declared

and received by said estate during the year next ensuing the date of the death of decedent as dividends on stocks owned by said decedent and her estate.

IX.

This inclusion of dividends increased the tax assessed in the sum of \$5,026.38, which additional amount was paid on the 12th day of January, 1942, to Nat Rogan, Collector of Internal Revenue of the United States for the Sixth District of California.

X.

Thereafter, and on the 21st day of December, 1942, the Superior Court of the State of California, in and for the County of Los Angeles, having jurisdiction of the administration of the estate of said Lillian Ryan FitzGerald, duly distributed all of the property of the said decedent and her estate to her children, Geraldine FitzGerald Callaghan, Suzanne FitzGerald Fawcett and Gerald FitzGerald, and discharged the said administrator. Said Gerald FitzGerald died on March 2, 1945. Thereafter, and after due and regular proceedings had in the Superior Court of the State of California, in and for the County of Los Angeles, having jurisdiction over the estate of the said Gerald FitzGerald, deceased, said Court duly appointed Geraldine FitzGerald Callaghan as executrix of the last will and testament of the said Gerald FitzGerald, deceased, and she duly qualified as such and ever since has been and now is the duly appointed, qualified and acting executrix of the last will and testament of

the said Gerald FitzGerald, deceased. At all the times up to his death, the said Gerald FitzGerald was a minor.

XI.

Thereafter and on the 16th day of November, 1945, said Geraldine FitzGerald Callaghan, Suzanne FitzGerald Fawcett, Geraldine FitzGerald Callaghan as executrix of the will of Gerald FitzGerald, deceased, and Edward F. Treadwell, administrator of the estate of Lillian Ryan FitzGerald, deceased, filed and presented to the Commissioner of Internal Revenue of the United States, on Form 843, a claim for the refunding of said sum of \$5,026.38, together with interest from January 12, 1942. On December 28, 1945, the Commissioner rejected said claim as not timely filed.

From the foregoing Findings of Fact the Court makes the following

Conclusions of Law

I.

The Court has jurisdiction since this is a suit against the United States to recover Internal Revenue taxes alleged to have been illegally and wrongfully collected;

II.

Plaintiffs named are the proper parties plaintiff since they are the distributees of the estate from which the tax was collected;

III.

The action may not be maintained in this or any Court since the claim for refund upon which it is based was not filed with the Commissioner of Internal Revenue of the United States within the time provided by law for such filing;

IV.

That plaintiffs should recover nothing by virtue of said action and that the defendant United States of America is entitled to a judgment dismissing said action and for its costs of suit therein incurred.

Let a judgment be entered accordingly.

Done in Open Court this 14th day of April, 1947.

/s/ MICHAEL J. ROCHE,

United States District Judge.

Approved as to form as provided by Rule 5d.

REGINALD S. LAUGHLIN,

Attorney for Plaintiffs.

[Endorsed]: Filed April 14, 1947.

In the Southern Division of the United States District Court for the Northern District of California

No. 25839-S

SUZANNE FITZGERALD FAWCETT, et al.,
Plaintiffs,

vs.

UNITED STATES OF AMERICA,
Defendant.

JUDGMENT OF DISMISSAL

The above entitled cause came on regularly to be tried on November 20, 1946, plaintiffs appearing by Reginald S. Laughlin, their attorney, and the defendant by William E. Licking, Assistant United States Attorney; evidence, both oral and documentary, was introduced and received and the cause having been fully heard, argued by counsel, briefed, and on February 8 submitted, and the Court being fully advised in the premises on March 11, 1947, ordered that a judgment of dismissal be entered herein, and the Court having heretofore made, signed and ordered filed herein its Findings of Fact and Conclusions of Law, which are by reference made a part hereof;

Wherefore, by reason of the premises It Is Hereby Ordered, Adjudged and Decreed that plaintiffs take nothing by virtue of their complaint herein and that said action be and the same is hereby dismissed.

It Is Further Adjudged and Decreed that the defendant have and recover from plaintiffs its costs of suit herein incurred as taxed in the amount of \$.....

Dated: This 14th day of April, 1947.

/s/ MICHAEL J. ROCHE,
United States District Judge.

Approved as to form as provided in Rule 5(d).

REGINALD S. LAUGHLIN,
Attorney for Plaintiff.

[Endorsed]: Filed and Entered April 14, 1947.

[Title of District Court and Cause.]

NOTICE OF APPEAL

To the defendant in the above-entitled action and to Messrs. Frank J. Hennessy and William E. Licking, attorneys for defendant:

You and Each of You Will Please Take Notice that the plaintiffs in the above-entitled action hereby appeal to the United States Circuit Court of Appeals for the Ninth Circuit from the final judgment given, made and entered in the above-entitled action, and from the whole thereof.

REGINALD S. LAUGHLIN,
Attorney for Plaintiffs.

(Receipt of Service of Copy.)

[Endorsed]: Filed April 17, 1947.

[Title of District Court and Cause.]

PRAECIPE FOR PREPARATION OF
RECORD ON APPEAL

To the Clerk of the above-entitled Court:

Plaintiffs having filed herein their Notice of Appeal in the above-entitled action, you are hereby requested to prepare record on appeal consisting of the following:

1. Petition.
2. Answer.
3. Affidavit of Geraldine Fitzgerald Callaghan admitted in evidence on the trial.
4. Letters Testamentary in the Estate of Gerald Fitzgerald, Deceased, admitted in evidence on the trial.
5. Opinion of the Court.
6. Findings.
7. Judgment.
8. Notice of Appeal.
9. Copy of this Praecipe.

REGINALD S. LAUGHLIN,
Attorney for Plaintiffs.

(Receipt of Service of Copy.)

[Endorsed]: Filed April 17, 1947.

[Title of District Court and Cause.]

ORDER EXTENDING TIME TO DOCKET

Good cause appearing therefor, it is hereby Ordered that the Appellants herein may have to and

including July 6, 1947, to file the Record on Appeal in the United States Circuit Court of Appeals in and for the Ninth Circuit.

Dated: May 27, 1947.

MICHAEL J. ROCHE,
United States District Judge.

[Endorsed]: Filed May 27, 1947.

District Court of the United States, Northern
District of California

CERTIFICATE OF CLERK TO TRANSCRIPT
OF RECORD ON APPEAL

I, C. W. Calbreath, Clerk of the District Court of the United States, for the Northern District of California, do hereby certify that the foregoing 29 pages, numbered from 1 to 29, inclusive, contain a full, true, and correct transcript of the records and proceedings in the matter of Suzanne Fitzgerald Fawcett, et al., Plaintiffs, vs. United States of America, Defendant, No. 25839-S, as the same now remain on file and of record in my office.

I further certify that the cost of preparing and certifying the foregoing transcript of record on appeal is the sum of \$3.80 and that the said amount has been paid to me by the Attorney for the appellant herein.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said District Court at

San Francisco, California, this 7th day of June,
A.D. 1947.

[Seal]

C. W. CALBREATH,
Clerk.

/s/ M. E. VAN BUREN,
Deputy Clerk.

[Endorsed]: No. 11651. United States Circuit Court of Appeals for the Ninth Circuit. Suzanne Fitzgerald Fawcett, Geraldine Fitzgerald Callaghan, Geraldine Fitzgerald Callaghan, as Executrix of the Last Will and Testament of Gerald Fitzgerald, deceased, and Edward F. Treadwell, Administrator of the Estate of Lillian Ryan Fitzgerald, deceased, Appellants, vs. United States of America, Appellee. Transcript of Record. Upon Appeal from the District Court of the United States for the Northern District of California, Southern Division.

Filed June 9, 1947.

/s/ PAUL P. O'BRIEN,
Clerk of the United States Circuit Court of Appeals for the Ninth Circuit.

In the United States Circuit Court of Appeals
for the Ninth Circuit

No. 11651

SUZANNE FITZGERALD FAWCETT, GERALDINE FITZGERALD CALLAGHAN, GERALDINE FITZGERALD CALLAGHAN, as Executrix of the Last Will and Testament of GERALD FITZGERALD, Deceased, and EDWARD F. TREADWELL, Administrator of the Estate of Lillian Ryan Fitzgerald, Deceased,
Plaintiffs,

vs.

UNITED STATES OF AMERICA,
Defendant.

STATEMENT OF POINTS TO BE RELIED
UPON ON APPEAL

I.

The claim for refund is governed by 26 U.S.C.A., Section 3313, and was seasonably made.

II.

The claim for refund is not governed by 26 U.S.C.A., Section 910.

/s/ REGINALD S. LAUGHLIN,
Attorney for Plaintiffs.

Receipt of copy of within acknowledged this 13th day of June, 1947.

/s/ FRANK J. HENNESSY,
United States Attorney.

Per T. S.

[Endorsed]: Filed June 13, 1947.

No. 11,651

IN THE

United States Circuit Court of Appeals
For the Ninth Circuit

SUZANNE FITZGERALD FAWCETT, GERALDINE
FITZGERALD CALLAGHAN, GERALDINE FITZ-
GERALD CALLAGHAN, as Executrix of the
Last Will and Testament of Gerald Fitz-
Gerald, Deceased, and EDWARD F. TREAD-
WELL, Administrator of the Estate of
Lillian Ryan FitzGerald, Deceased,

Appellants,

VS.

UNITED STATES OF AMERICA,

Appellee.

Upon Appeal from the District Court of the United States for the
Northern District of California, Southern Division.

BRIEF FOR APPELLANTS.

REGINALD S. LAUGHLIN,
505 Mills Building, San Francisco 4, California,
Attorney for Appellants.

JUL 15 1947

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No. 11,651

IN THE

United States Circuit Court of Appeals
For the Ninth Circuit

SUZANNE FITZGERALD FAWCETT, GERALDINE
FITZGERALD CALLAGHAN, GERALDINE FITZ-
GERALD CALLAGHAN, as Executrix of the
Last Will and Testament of Gerald Fitz-
Gerald, Deceased, and EDWARD F. TREAD-
WELL, Administrator of the Estate of
Lillian Ryan FitzGerald, Deceased,

Appellants,

vs.

UNITED STATES OF AMERICA,

Appellee.

Upon Appeal from the District Court of the United States for the
Northern District of California, Southern Division.

BRIEF FOR APPELLANTS.

STATEMENT AS TO JURISDICTION.

This action is to recover certain taxes imposed by the Commissioner of Internal Revenue of the type held unauthorized by the Supreme Court in *Maass v. Higgins*, 312 U.S. 443, 85 L. Ed. 940. The action was brought against the United States pursuant to the

provisions of Section 24(20) of the Judicial Code as amended (28 U.S.C. 41(20)) because of the fact that the Collector was deceased. (R., p. 3.) The suit was brought in the names of distributees of the estate, as the administrator who had paid the tax had been discharged. (*Mertens*, Volume X, Section 58.07.) Judgment was rendered in favor of defendant on April 14, 1947. (R., pp. 25-26.) Notice of appeal was filed April 17, 1947. (R., p. 26.) Appeal to this Court is authorized by 28 U.S.C.A. 225 a (First).

STATEMENT OF THE CASE.

The tax here imposed was a tax purporting to be an estate tax, but being in fact a tax upon dividends paid on corporate stock of the estate of Lillian Ryan FitzGerald, which dividends were declared after the date of her death. (R., p. 4, par. VIII; p. 21, pars. VII and VIII). This type of exaction was held illegal in *Maass v. Higgins*, 312 U.S. 443, 85 L. Ed. 940. The tax was paid on the 12th day of January, 1942. (R., p. 22, par. IX.) Within four years thereafter and on November 16, 1945, a claim for refund of the tax was duly presented to the Commissioner. (R., p. 23, par. XI.) The sole question involved in the case is whether the matter is governed by the four-year statute embodied in 26 U.S.C.A., Section 3313, or the three-year statute embodied in 26 U.S.C.A., Section 910. (R., p. 30.) The trial Court held that the latter statute governed and that presentation of the claim was too late and gave judgment

for defendant accordingly. The judge wrote an opinion which is not reported. (R., pp. 16-19.)

Section 3313 relied upon by us reads as follows:

“Sec. 3313. Period of limitation upon refunds and credits.

All claims for the refunding or crediting of any internal revenue tax alleged to have been erroneously or illegally assessed or collected, or of any penalty alleged to have been collected without authority, or of any sum alleged to have been excessive, or in any manner wrongfully collected must, *except as otherwise provided by law in the case of income, war-profits, excess-profits, estate, and gift taxes*, be presented to the Commissioner within four years next after the payment of such tax, penalty, or sum. The amount of the refund (in the case of taxes other than income, war-profits, excess-profits, estate, and gift taxes) shall not exceed the portion of the tax, penalty, or sum paid during the four years immediately preceding the filing of the claim, or if no claim was filed, then during the four years immediately preceding the allowance of the refund.” (Italics added.)

Section 910 relied upon by the government reads as follows:

“Sec. 910. Period of limitation for filing claims.

All claims for the refunding of the tax *imposed by this subchapter* alleged to have been erroneously or illegally assessed or collected must be presented to the Commissioner within three years next after the payment of such tax. The amount of the refund shall not exceed the portion of the tax paid during the three years immedi-

ately preceding the filing of the claim, or if no claim was filed, then during the three years immediately preceding the allowance of the refund.” (Italics added.)

ARGUMENT.

This question can be narrowed down to this proposition: The matter is clearly covered by the four-year statute, Section 3313, unless the exaction was an “estate” tax and was “imposed by” the subchapter of the Internal Revenue Act dealing with estate taxes. The correctness of our position in this regard that the tax is not such a tax so imposed is sustained by the District Court and the Circuit Court of Appeals of the Sixth Circuit in the case of *In re Tindle’s Estate*, 59 F. Supp. 667, 152 F. (2d) 757. In arriving at the conclusion that the tax was not “imposed by this subchapter” within the meaning of Section 910, the Court said:

“The refund was rather for a refund sought to be imposed as an estate tax, but held by the Supreme Court not to have been levied at all under the statute in question.”

The correctness of this is shown by the fact that it was pointed out by the Supreme Court in *Maass v. Higgins*, 312 U.S. 443, that the tax was imposed under an invalid regulation in no way authorized by the chapter in question.

Moreover, by a long line of decisions the courts have strictly limited the three-year statutes which

have been relied upon by the government to deprive the taxpayer of his remedy under the four-year statute. In the cases of *Jones v. Liberty Glass Company*, 66 F. Supp. 254, affirmed by the Circuit Court of Appeals of the Tenth Circuit, — F. (2d) —,* January 21, 1947, *Noble v. Kavanagh*, 66 F. Supp. 258, affirmed by the Circuit Court of Appeals of the Sixth Circuit, — F. (2d) —,* February 11, 1947, *Huntley v. Southern Oregon Sales, Inc.*, 102 F. (2d) 538, Ninth Circuit, and *U. S. v. Lederer Terminal Warehouse Co.*, 139 F. (2d) 679, the government attempted to apply 26 U.S.C.A. 322 (a)(1)(b)(1), which reads as follows:

“Where there has been an overpayment of any tax imposed by this chapter the amount of such overpayment shall be credited against any income * * * and any balance shall be refunded immediately to the taxpayer * * *”

and provided for a claim for refund within three years.

In all of those cases the courts held that an outright illegal exaction not authorized by the law was not “an overpayment of any tax imposed by this chapter” and that the matter could not be brought within the three-year statute.

It is true that there is a difference between Section 322 and Section 910 for the reason that the former refers to “an overpayment of any tax imposed by this chapter,” while the latter refers to “any tax im-

*Pending on *certiorari* in Supreme Court.

posed by this subchapter.” We will refer to that matter later, but at the present time it should be noted at all events that certain principles lie at the basis of those decisions which are generally applicable here. These are the following:

(1). In those cases, as well as in this case, the plaintiffs relied on Section 3313, which contained the language: “except as otherwise provided by law in the case of income, war-profits, excess-profits, estate, and gift taxes.” Notwithstanding that provision it was held that the statute was applicable to taxes purporting to be assessed under the law relating to those types of taxes, if the assessment had the characteristic of a tax erroneously and illegally assessed without authority of law rather than a mere over-assessment of a tax authorized by those statutes. All of those cases involved income or excess-profits taxes.

(2). In these cases the plaintiffs relied on Section 3313 which was the most general provision of law regarding refund of taxes, whereas the Government relied on Section 322, which was a much later enactment, and one that was special and therefore subject to the general rule that a later special statute applicable to one particular thing is generally deemed to supersede a general statute on the same subject. Notwithstanding this rule, the courts held that the general statute, and not the special statute, prevailed.

(3). These cases also held that the special statute relied upon by the Government should be limited strictly by its terms, and should not be held to be irreconcilable with the general statute. We think it

clear that if Section 322 had been the only statute applicable to refund of income taxes, it would have been held that any tax which was not authorized would be included in the word "overpayment," and could be refunded under that statute and would have been governed thereby. But it was in view of the fact that there was a general statute allowing the four years which should be given full effect except as clearly superseded by the special statute. The courts therefore worked out the distinction between a tax not imposed by the statute and a tax imposed by the statute which had been over-assessed.

The case of *Godfrey v. U. S.*, 61 F. Supp. 240, was one involving a gift tax which was based on a new regulation by the Treasury Department attempted to be retroactively applied. In that case the Government relied upon 26 U.S.C.A., Section 1027, which read:

"Where there has been an *overpayment of any tax imposed by this chapter*, the amount of such overpayment shall be credited against any gift tax then due from the taxpayer, and any balance shall be refunded immediately to the taxpayer."

and required a claim for refund within three years, while the plaintiffs in that case, like the plaintiffs in this case, relied upon and were held entitled to rely upon, Section 3313. In reaching that conclusion the Court pointed out that the tax attempted to be justified retroactively by a regulation not in force at the time of the assessment, was a tax clearly within the four-year statute, and not within the statute relating to "an overpayment of any tax imposed by this chapter."

In the case of *Jones v. Liberty Glass Company*, supra, the court said:

“Another well recognized rule lends its strength to the conclusion that the time for the filing of a claim of this kind is governed by section 3313, not section 322. The case of *Huntley v. Southern Oregon Sales, Inc.*, supra, was decided almost eight years ago, and the later cases citing it with approval and reaching the same conclusion followed. During that period Congress convened from time to time, enacted revenue legislation, and by section 5 of the Act of July 31, 1945, 59 Stat. 511, 523, amended section 322, all without indicating in any manner its disapproval of the judicial interpretation placed upon the two sections. That in composite effect should be regarded as Congressional approval and adoption of the interpretation placed by the courts upon the two statutes. *Sessions v. Romadka*, 145 U.S. 29; *Manhattan Properties, Inc. v. Irving Trust Co.*, 291 U.S. 320; *United States v. Elgin, Joliet & Eastern Railway Co.*, 298 U.S. 492; *Missouri v. Ross*, 299 U.S. 72; *Electric Storage Battery Co. v. Shimadzu*, 307 U.S. 5. True, none of the cases construing the two sections was by the Supreme Court of the United States, but the rule of uniform judicial construction of a statute over a long period of time being regarded as acceptable to the legislative arm of the government has appropriate application where legislation dealing with the general subject matter has been enacted and the particular statute has been amended, without any action or expression indicating legislative disapproval of the judicial construction, even though the construction was by

circuit courts of appeals and district courts of the United States. *Manhattan Properties, Inc. v. Irving Trust Co.*, supra.”

This rule of strict construction of these special statutes relied upon to override a general statute authorizing a refund in four years, is directly applicable to this case. Here we have a direct statute authorizing a claim within four years. We have special statutes not providing that all claims for refund of income tax, excess-profits taxes, gift taxes, or estate taxes, shall be presented within three years, but that claims for overassessment of those taxes, or claims for the refund of taxes imposed by certain chapters, must be filed within three years. Over a long period of years the courts have sensed the injustice of defeating the taxpayer who has relied on the four-year statute, in view of the ambiguity of the three-year statute. Then a Circuit Court of Appeals in *In re Tindle's Estate*, supra, directly holds that the same rule is applicable to the statute as to estate taxes and that its operation should be likewise limited to overpayments of taxes imposed by the statute dealing with gift taxes, and should not be extended to taxes which are not imposed by that statute. The failure of the Government to ask for a review of the decision in the *Tindle* case by the Supreme Court of the United States is strong evidence that the Government was satisfied with the decision and that it might be safely relied upon by the profession. The Government had contested every one of these cases above reviewed, and, as stated in the opinion in the *Tindle*

case, "The Commissioner contends that these decisions are all unsound and should not be followed." In that case the Government argued that if they were not overthrown the tax in question should be held to be an overpayment within the meaning of those decisions, which was an interpretation of the language of the present Act, "imposed by this subchapter," as limiting that Act to overpayments of taxes authorized by that chapter.

Obviously the mere fact that the Commissioner, in assessing a tax purports to act under the estate tax statute, does not make the tax when assessed one "imposed by this subchapter." The assessment involved here was a tax on a dividend declared and received after the death of the decedent. The estate tax is a tax on property passing at death. The sub-chapter in question does not impose any taxes on dividends declared and received upon stock after the death of the decedent. This particular assessment was held to have not been imposed under the Act, but imposed under regulations which were unauthorized by the Act. (*Maass v. Higgins*, 312 U.S. 443.) This exaction could just as well, and in fact more properly, have been called "a dividend tax," or "an income tax" or "a capital stock tax," or "an excise tax," or any other type of tax rather than "an estate tax." It was simply an unauthorized exaction having its origin in the invalid regulations of the Internal Revenue Department and having no statutory basis whatever. It was not therefore a tax "imposed by this subchapter," and does not come within the terms of Section 910.

There are other reasons why Section 910 should not be construed to extend to all taxes purporting to be assessed under the estate tax statute. When the Congress wanted to except all income taxes from the operation of any statute, it had no difficulty in saying so. For instance, it was desired that Section 3312 should apply to the assessment of all internal revenue taxes, and it therefore provided:

“All internal revenue taxes shall (except as provided in subsections (b), (c), and (d)) be assessed within four years” etc.

The same all-embracing language is used in Section 3313:

“All claims for the refunding * * * of any internal revenue tax alleged to have been erroneously or illegally * * * collected * * * must, except as otherwise provided by law in the case of income * * * taxes, be presented * * * within four years next after the payment of such tax * * *”.

If Congress had meant to except not only those cases provided for by certain sections, and afterwards changed to the more embracing term “law,” but all refunds of income etc. taxes, it could have easily done so by saying “except in the case of income etc. taxes,” just as was done in Section 3312; but it did not use that language, but limited the statute to a tax “imposed by this chapter,” and in the case of gift tax to “taxes imposed by this subchapter.” The question is not whether Congress used the word “overpayment” or not, the real question being whether the col-

lection was of a tax imposed by the particular chapter or subchapter of the Revenue Act referred to, or a collection not authorized by any law. The real distinction is the distinction between a lawfully imposed tax and one not imposed by law. It is for this reason that the Circuit Courts of Appeals of the Second, Third, Sixth, Ninth and Tenth Circuits have insisted upon a strict limitation of the special statute relied upon by the Government and the applicability in cases of this kind of the general four-year statute.

His Honor Judge Roche, in deciding the case at bar, placed great weight on the fact that in the case of *Rosenman v. United States*, 323 U.S. 658, the Court quoted Section 910 as the statute applicable to claims for refund of taxes imposed by the estate tax statute. However, in that case there was no question raised as to whether that statute or the four-year statute was applicable. As a matter of fact, in that case the claim for refund was made within three years after the tax was paid, and therefore there was no question raised or involved as to which statute was applicable. The only question actually involved in the case was the erroneous claim made by the Government that the tax was actually paid many years before it was credited on the tax when a deposit was made on account of the tax. This contention of the Government was held to be unfounded, and it was held therefore that the claim for refund was timely even under the three-year statute. The Court had no occasion whatever to pass on the four-year statute, and its mere reference to the three-year statute cannot be

deemed to be a decision on the question here involved. Moreover, that case involved merely an overpayment of the tax due to the disallowance of certain deductions and not to a totally illegal exaction, and was one therefore that was properly referred to as being governed by Section 910.

We respectfully submit that this tax was of a character clearly covered by Section 3313 and is not of a character covered by Section 910; that plaintiffs relied and were entitled to rely on the decision in *In re Tindle's Estate*, and that the claim for refund was seasonably made and that the judgment should be reversed.

Dated, San Francisco, California,

July 14, 1947.

REGINALD S. LAUGHLIN,
Attorney for Appellants.

IN THE

United States Circuit Court of Appeals
For the Ninth Circuit

SUZANNE FITZGERALD FAWCETT, GERALDINE
FITZGERALD CALLAGHAN, GERALDINE FITZ-
GERALD CALLAGHAN, as Executrix of the
Last Will and Testament of Gerald Fitz-
Gerald, Deceased, and EDWARD F. TREAD-
WELL, Administrator of the Estate of
Lillian Ryan FitzGerald, Deceased,

Appellants,

VS.

UNITED STATES OF AMERICA,

Appellee.

Upon Appeal from the District Court of the United States for
the Northern District of California, Southern Division.

BRIEF FOR THE UNITED STATES.

THERON L. CAUDLE,

Assistant Attorney General,

SEWALL KEY,

LEE A. JACKSON,

S. DEE HANSON,

S. WALTER SHINE,

Special Assistants to the Attorney General.

FRANK J. HENNESSY,

United States Attorney,

WILLIAM E. LICKING,

Assistant United States Attorney.

FILED

SEP - 4 1947

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No. 11,651

IN THE

United States Circuit Court of Appeals

For the Ninth Circuit

SUZANNE FITZGERALD FAWCETT, GERALDINE
FITZGERALD CALLAGHAN, GERALDINE FITZ-
GERALD CALLAGHAN, as Executrix of the
Last Will and Testament of Gerald Fitz-
Gerald, Deceased, and EDWARD F. TREAD-
WELL, Administrator of the Estate of
Lillian Ryan FitzGerald, Deceased,

Appellants,

VS.

UNITED STATES OF AMERICA,

Appellee.

Upon Appeal from the District Court of the United States for
the Northern District of California, Southern Division.

BRIEF FOR THE UNITED STATES.

OPINION BELOW.

The only previous opinion in this case is the memo-
randum opinion of the District Court (R. 16-19),
which is not yet reported.

JURISDICTION.

This appeal involves the assessment and collection of additional federal estate taxes. The taxes in the sum of \$5,026.38 in dispute were assessed by the Commissioner of Internal Revenue against the estate of Lillian Ryan FitzGerald, deceased (R. 5, 16, 21-22), and were paid by the administrator to the Collector of Internal Revenue on January 12, 1942. (R. 5, 16, 22.) The claim for the refund thereof together with interest from January 12, 1942, the date of payment, was filed on November 16, 1945 (R. 6-7, 16, 23), and was rejected by the Commissioner by notice dated December 28, 1945. (R. 7, 23.) On April 5, 1946, within the time provided by Section 3772 of the Internal Revenue Code, the appellants brought the suit in the District Court for recovery of those taxes and the interest thereon according to law. (R. 2-7.) Jurisdiction was conferred on the District Court by Section 24, Fifth and Twentieth, of the Judicial Code, as amended. The judgment was entered on April 14, 1947, in favor of the United States, dismissing the plaintiff-appellants' action with costs. (R. 25-26.) Thereafter, within three months, the appellants' notice of appeal was filed on April 17, 1947. (R. 26.) The jurisdiction of this Court is invoked under the provisions of Section 128(a) of the Judicial Code, as amended.

QUESTION PRESENTED.

Whether claims for refund of estate taxes must be filed within three years after the payment of the tax as provided by Section 910 of the Internal Revenue Code or within four years after the payment of the tax as provided by Section 3313 of the Internal Revenue Code.

STATUTES AND REGULATIONS INVOLVED.

Internal Revenue Code:

Sec. 910. Period of Limitation for Filing Claims.

All claims for the refunding of the tax imposed by this subchapter alleged to have been erroneously or illegally assessed or collected must be presented to the Commissioner within three years next after the payment of such tax. The amount of the refund shall not exceed the portion of the tax paid during the three years immediately preceding the filing of the claim, or if no claim was filed, then during the three years immediately preceding the allowance of the refund.

(26 U.S.C. 1940 ed., Sec. 910.)

Sec. 3313. Period of Limitation Upon Refunds and Credits.

All claims for the refunding or crediting of any internal revenue tax alleged to have been erroneously or illegally assessed or collected, or of any penalty alleged to have been collected without authority, or of any sum alleged to have been excessive or in any manner wrongfully collected must, except as otherwise provided by law in the case of income, war-profits, excess-profits, estate,

and gift taxes, be presented to the Commissioner within four years next after the payment of such tax, penalty, or sum. The amount of the refund (in the case of taxes other than income, war-profits, excess-profits, estate, and gift taxes) shall not exceed the portion of the tax, penalty, or sum paid during the four years immediately preceding the filing of the claim, or if no claim was filed, then during the four years immediately preceding the allowance of the refund.

(26 U.S.C. 1940 ed., Sec. 3313.)

Treasury Regulations 105, promulgated under the Internal Revenue Code:

Sec. 81.96. *Claim for refund.*—A claim for refund of estate tax, or for refund of interest or penalties, erroneously or illegally collected, should be made on the form prescribed by the Treasury Department (Form 843), and should be filed with the collector of internal revenue, although a claim will not be considered defective solely by reason of the fact that it is not made on the form or that it is filed with the Commissioner of Internal Revenue. * * *

Claims for the refund of estate tax imposed by the Internal Revenue Code must be filed within three years next after the payment of the amount sought to be refunded.

The amount of the refund shall not exceed the portion of the tax paid during the three year period immediately preceding the filing of the claim, or the filing of the petition with the Board of Tax Appeals. * * *

STATEMENT.

The pertinent facts, sufficient for the purposes herein, were found by the District Court substantially as follows (R. 20-23):

The appellants, residents of the Northern District of California, brought this action to recover estate taxes alleged to have been erroneously and illegally assessed by the Commissioner and collected by Nat Rogan, now deceased, who was then the Collector of Internal Revenue for the Sixth District of California. (R. 20.)

At all times herein, and until his discharge on December 21, 1942 (R. 22), appellant Edward F. Treadwell was the duly appointed, qualified and acting administrator of the estate of Lillian Ryan FitzGerald (hereinafter called the decedent) who prior to the times herein had died a resident of California, leaving an estate therein.¹ (R. 20-21.) Within the

¹The District Court found that the local probate court for the County of Los Angeles, California, having jurisdiction of the administration over the decedent-taxpayer's estate, distributed all her property to her children, Geraldine FitzGerald Callaghan, Suzanne FitzGerald Fawcett and Gerald FitzGerald, a minor (deceased March 2, 1945), and discharged administrator Treadwell on December 21, 1942; that thereafter the probate court having jurisdiction over the estate of Gerald FitzGerald, deceased, appointed Geraldine FitzGerald Callaghan as executrix of his last will and testament; and that she duly qualified as such and has been ever since that time the duly appointed, qualified and acting executrix of his last will and testament. (R. 22-23.)

The instant suit was brought in the names of the distributees of the decedent's estate because the estate had been distributed and the administrator, who paid the tax, had been discharged, as the appellants state (Br. 2), and the court below held that they were the proper parties-plaintiff herein because they were the distributees of the estate from which the tax had been collected. (R. 23, par. II.)

time and in the manner provided by law, the decedent's administrator duly elected to pay the federal estate tax on the value of the estate's assets one year after the date of death. Thereafter, the Commissioner made an assessment of estate tax on her estate at the value thereof one year after the date of her death. (R. 21.)

Prior to the time the Commissioner made such assessment, however, the Treasury Department had adopted certain regulations which provided for the inclusion in a decedent's gross estate of dividends paid on corporate stock held by the estate during the year following the date of death. (R. 21.) Accordingly, the Commissioner added to the value of her gross estate the sum of \$27,199, declared and received by the estate during the year next ensuing the date of her death, as dividends on stocks owned by her and her estate. (R. 21-22.) The inclusion of the dividends in the gross estate increased the tax assessed in the sum of \$5,026.38, which was paid to the Collector on January 12, 1942. (R. 22.)

Thereafter, on November 16, 1945, approximately three years and ten months after payment of the tax, the appellants filed with the Commissioner a claim for refund (Form 843) of the above-stated additional tax, together with interest thereon from January 12, 1942, the date of payment of the tax. (R. 23.) The Commissioner rejected the claim on December 28, 1945, as not timely filed (R. 23), whereupon the appellants brought suit on April 5, 1946. (R. 2-7.)

Upon the basis of the foregoing facts, the District Court found and held that the action herein must be

dismissed for lack of jurisdiction because the claim for refund of the estate tax upon which it was based was not timely filed with the Commissioner. (R. 16-19, 24.) The Court below thereupon entered judgment accordingly from which the appellants appealed to this Court for review. (R. 25-26.)

SUMMARY OF ARGUMENT.

Section 910 of the Internal Revenue Code provides that all claims for the refunding of estate taxes alleged to have been erroneously assessed or collected must be presented to the Commissioner within three years after the payment of the tax. Section 3313 provides that all claims for the refunding of any internal revenue tax erroneously assessed or collected must, except as otherwise provided by law for income, war-profits, excess-profits, estate and gift taxes, be presented to the Commissioner within four years after payment of the tax. Section 910, as the Court below held, and not Section 3313 as the appellants contend, thus provides the applicable period of limitations for estate taxes.

Cases which have held Section 3313 applicable to erroneous assessments of *income* tax, because no other section of the Code refers to erroneous assessments of income tax, are inapplicable to the present case since the tax involved is estate tax, the assessment admittedly is erroneous, and Section 910 specifically refers to erroneous assessments.

The statutory development of Section 910 and administrative practice thereunder show clearly that Section 910 is applicable to all estate tax refund claims. This administrative interpretation has been unchanged for more than twenty years and may be deemed to have the force and effect of law.

ARGUMENT.

THE APPELLANTS' CLAIM FOR REFUND IS BARRED BY STATUTE OF LIMITATIONS AS PRESCRIBED BY SECTION 910, INTERNAL REVENUE CODE.

This suit is brought to recover an assessment of estate taxes paid on January 12, 1942, alleged to be erroneous and illegal.² The appellants' claim for refund was not filed until November 16, 1945, more than three years after the payment of the tax. The claim was rejected by the Commissioner on the ground that it was barred by Section 910 of the Internal Revenue Code, *supra*. The appellants, however, assert that their refund claim was timely filed because it is governed by Section 3313 of the Internal Revenue Code, *supra*, despite the exceptive clause in that section which removes from its provisions income, war-profits, excess-profits, *estate* and gift taxes. The narrow issue presented, therefore, is whether the refund claim was governed by Section 910 or Section 3313.

²*Maass v. Higgins*, 312 U.S. 443, apparently supports the appellants' allegation that the assessment was erroneous. Certainly for the purpose of the case that issue is conceded.

Section 910 provides that all claims for the refunding of estate taxes alleged to have been erroneously or illegally assessed or collected must be presented to the Commissioner within three years after the payment of such tax. Section 3313 provides that all claims for the refunding of any internal revenue tax must, *except* as otherwise provided by law in the case of income, war-profits, excess-profits, *estate* and gift taxes, be presented to the Commissioner within four years after the payment of such tax.

Despite the appellants' insistence to the contrary, the Court below held that a claim for refund of estate tax filed more than three years after the tax is paid is untimely under Section 910. The necessity for a timely refund claim being jurisdictional³ the complaint was dismissed. (R. 24, 25-26.) The decision (R. 16-19) properly rejected as inapplicable the distinction drawn by this Court in *Huntley v. Southern Oregon Sales*, 102 F. (2d) 538, between Section 3313 and Section 322 which governs *income* tax refunds.

The appellants recognize that the *Southern Oregon* case as well as others cited by them which rely on the authority of *Southern Oregon*⁴ do not precisely gov-

³Section 3772(a)(1), Internal Revenue Code; *Rosenman v. United States*, 323 U.S. 658; *Tucker v. Alexander*, 275 U.S. 228, 231; *United States v. Felt & Tarrant Co.*, 283 U.S. 269, 272.

⁴*Jones v. Liberty Glass Co.*, 159 F. 2d 316 (C.C.A. 9th), certiorari granted June 2, 1947; *Kavanagh v. Noble*, 66 F. Supp. 258 (E.D. Mich.), affirmed *per curiam*, 160 F. 2d 104 (C.C.A. 6th), certiorari granted June 2, 1947; *Huntley v. Southern Oregon Sales*, 102 F. 2d 538 (C.C.A. 9th); *United States v. Lederer Terminal W. Co.*, 139 F. 2d 679 (C.C.A. 6th).

ern the question here presented. Those cases, whether correctly or incorrectly, held that erroneous assessments of income taxes are governed by the provisions of Section 3313 because the section which specifically refers to income taxes, Section 322, governs only "an overpayment" of such taxes, and the courts thought there is a difference between overpayments and erroneous assessments. Although the Government vigorously disputes the correctness of those decisions (its petitions for certiorari were granted by the Supreme Court on June 2, 1947 to review the decisions in *Jones v. Liberty Glass Co.*, 159 F. (2d) 316 (C.C.A. 9th), and *Kavanagh v. Noble*, 66 F. Supp. 258 (E.D. Mich.), affirmed *per curiam*, 160 F. (2d) 104 (C.C.A. 6th)), it is submitted that they are wholly inapplicable to the problem presented by this case. Admittedly, the assessments here made were erroneous. It is not suggested by the appellants that they fall into the so-called "overpayment" category.

There can be no doubt that the two sections under consideration are mutually exclusive. It cannot be argued that erroneous assessments of estate taxes are not governed by Section 910, as it was argued in *Southern Oregon* that erroneous assessments of *income* taxes are not governed by Section 322, because Section 910 explicitly refers to such erroneous assessments. The appellants are, therefore, forced to another distinction, namely, that where an assessment is erroneous or illegal it cannot be a "tax imposed by this subchapter" as Section 910 provides. In other words, the appellants argue that illegal assessments

are not taxes at all and, therefore, are not imposed by the estate tax subchapter.⁵

No authority whatever is cited for this proposition—nor is there any to support it. The distinction suggested would completely nullify Section 910. If estate taxes erroneously or illegally assessed or collected are not covered by that section, then the section must be meaningless, since erroneous and illegal assessments or collections are alone referred to. Moreover, the statutory development of Section 910 and the administrative practice thereunder clearly show that the suggestion is entirely novel and without merit. Prior to the Revenue Act of 1926, c. 27, 44 Stat. 9, estate tax refund claims were encompassed in Section 3228 of the Revised Statutes, as amended (the forerunner of Section 3313). Section 319 of the Revenue Act of 1926, however, withdrew these taxes from Section 3228 and provided separate treatment for them. See *Hills v. United States*, 55 F. (2d) 1001, 1003 (C. Cls.); *United States v. Clarke*, 69 F. (2d) 748 (C.C.A. 3rd), certiorari denied, 293 U.S. 564; *Brewer v. National Life & Acc. Ins. Co.*, 119 F. (2d) 313, 315 (C.C.A. 6th); cf. *San Joaquin Light & Power Corp. v. McLaughlin*, 65 F. (2d) 677, 681 (C.C.A. 9th); *Union Trust Co. v. United States*, 70 F. (2d) 629 (C.C.A.

⁵*Maass v. Higgins*, 312 U.S. 443, does not support the appellants' contention that taxes imposed under an interpretation of the estate tax subchapter inconsistently with that decision are not estate taxes. The Court merely determined that the assessment was erroneous. However, since the tax was paid as an estate tax, although admittedly erroneous, Section 910 explicitly provides the limitation period for refunds thereof.

2nd). This separate treatment has never thereafter been changed.⁶ Nothing in the legislative history indicates that some refund claims were withdrawn from Section 3228 while others remained.⁷

The Treasury Regulations since 1926 have contained only one article dealing with the time limit on claims for refunds of estate taxes imposed by that or any later Revenue Act.⁸ These regulations have consistently and unequivocally provided that all estate tax refund claims be filed within the time prescribed by Section 910 or its predecessors. The language of this article, Section 81.96 of Regulations 105, *supra*, does not express or imply any possible exception such as that for which the appellants contend. This administrative interpretation has been unchanged for more than twenty years. By virtue of the successive re-enactment of the statute without substantial change that interpretation may be deemed, under familiar principles, to have the force and effect of law. *Taft v. Commissioner*, 304 U.S. 351, 357; *Helvering v. Winmill*, 305 U.S. 79, 83; *Douglas v. Commissioner*, 322 U.S. 275, 281-282; *Boehm v. Commissioner*, 326 U.S. 287, 291-292.

The single case which may be thought of as supporting the appellants' position is *In re Tindle's*

⁶See Section 810, Revenue Act of 1932, c. 209, 47 Stat. 169.

⁷H. Rep. No. 708, 72nd Cong., 1st Sess., p. 50 (1939-1 Cum. Bull. (Part 2) 493); S. Rep. No. 665, 72nd Cong., 1st Sess., p. 53 (1939-1 Cum. Bull. (Part 2) 535).

⁸Article 99 of Regulations 80 (1934 and 1937), and Regulations 70 (1926). Cf. Article 99 of Regulations 68 (1924) and of Regulations 63 (1921).

Estate, 59 F. Supp. 667 (E.D. Pa.), affirmed *per curiam, sub nom., Pennsylvania Co. for Insurance on Lives v. United States*, 152 F. (2d) 757 (C.C.A. 3rd). The District Court in reaching its decision, relied on the group of income and gift tax cases which drew a distinction between Section 322 and Section 3313. Since the taxes involved there were estate taxes, they were governed by Section 319(b) of the Revenue Act of 1926, the forerunner of Section 910 of the Code. The District Court's decision in that case on this question is, therefore, patently wrong and wholly unreliable as a precedent. More significantly, however, the decision certainly does not in any way turn on the distinction between taxes "imposed" by the estate tax subchapter and those *not* imposed thereby. The case must stand on its own reasoning and, when closely analyzed, cannot be justified. Any value the case might have is also weakened by the presence of a question whether a rider attached to the tax return constituted an informal claim for refund which would have been timely and cured by the formal claim for refund later filed. It was this question which formed the principal ground for debate in the case. Since the decision could presumably have been sustained on this later ground, the Government did not deem it desirable to petition for certiorari.⁹

⁹The appellants' statement (Br. 9) that "The failure of the Government to ask for a review of the decision in the *Tindle* case by the Supreme Court of the United States is strong evidence that the Government was satisfied with the decision" is therefore manifestly unwarranted.

The Court below in rejecting the *Tindle* decision (R. 18-19) relied to some extent on *Rosenman v. United States, supra*, wherein Section 910 was held applicable to estate tax refund claims. Since the controlling effect of Section 910 was not there challenged, the decision is perhaps not decisive of the present issue. Nonetheless it affords additional evidence that the appellants' contention is without support. As has been shown there are persuasive reasons why the contrary has been assumed and acknowledged without question.

CONCLUSION.

The decision of the District Court is correct and should be affirmed.

Dated, San Francisco,
September 3, 1947.

Respectfully submitted,

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No. 11652

United States
Circuit Court of Appeals
For the Ninth Circuit

LE ROY J. LEISHMAN,

Appellant,

vs.

RADIO CONDENSER COMPANY and GENERAL
INSTRUMENT CORPORATION,

Appellees.

RADIO CONDENSER COMPANY and GENERAL
INSTRUMENT CORPORATION,

Appellants,

vs.

LE ROY J. LEISHMAN,

Appellee.

Transcript of Record
In Two Volumes
VOLUME I
Pages 1 to 166

Upon Appeals from the District Court of the United States
for the Southern District of California,
Central Division

No. 11652

United States
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LE ROY J. LEISHMAN,

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* Page numbering appearing at foot of page of original certified Transcript of Record.

In the United States District Court, Southern
District of California, Central Division

Civil Action No. 4395BH

RADIO CONDENSER COMPANY and GEN-
ERAL INSTRUMENT CORPORATION,
Plaintiffs,

vs.

LEROY J. LEISHMAN,

Defendant.

COMPLAINT—DECLARATORY JUDGMENT
SUIT ON LEISHMAN REISSUE PATENT
No. RE 20,827

1. Plaintiff, Radio Condenser Company, is a New Jersey corporation having its principal place of business at Thorne and Copewood Streets, in the City and County of Camden and State of New Jersey;

Plaintiff, General Instrument Corporation, is a New Jersey corporation having its principal place of business at 829 Newark Avenue, in the City of Elizabeth and State of New Jersey;

Defendant, Leroy J. Leishman, is a citizen of the State of California, and resides in the City of Los Angeles, California; [2]

The jurisdiction of this Court arises out of the fact that the parties are citizens of different states, and that the amount in controversy is in excess of Three Thousand Dollars (\$3000.00) exclusive of

interest and costs. The jurisdiction of this Court also depends upon the patent laws of the United States.

2. This action is brought under Section 274-D of the Judicial Code, 28 U.S.C. § 400, because there is an actual controversy now existing between the parties, in respect of which plaintiffs need a declaration of their rights by this Court.

3. Plaintiff, Radio Condenser Company, is a manufacturer of radio condensers and tuners which, prior to the effective prohibition date of the Government Order prohibiting production, etc., effective April 22, 1942, were sold to radio set manufacturers throughout the United States and which condensers and tuners were then installed or embodied by such radio set manufacturers in radio sets then sold by them to distributors throughout the United States.

Plaintiff, General Instrument Corporation, is also a manufacturer of radio condensers and tuners which, prior to the effective prohibition date of the Government Order prohibiting production, etc., effective April 22, 1942, were sold to radio set manufacturers throughout the United States and which condensers and tuners were then installed or embodied by such radio set manufacturers in radio sets then sold by them to distributors throughout the United States. One of such radio set manufacturers then serviced by each of the plaintiffs was Galvin Manufacturing Corporation of Chicago, Illinois, a corporation of Illinois, which purchased radio condensers and tuners from each of the plaintiffs [3]

and installed or embodied the same in radio receiving sets which it then manufactured and sold to distributors. One of such distributors was The Richards and Conover Company, a corporation of Missouri, having a place of business in the City of Oklahoma City, State of Oklahoma.

4. This action arises out of a controversy over the questions of validity and infringement of United States Reissue Patent No. Re. 20,827 of the defendant, LeRoy J. Leishman, granted August 16, 1938, on a "Means and Method for Turning Rotatable Objects to Predetermined Positions." On or about March, 1945, the defendant, LeRoy J. Leishman, filed a complaint for alleged infringement of said Reissue Letters Patent No. Re. 20,827 in a suit against the aforesaid distributor, The Richards and Conover Company, in the United States District Court for the Western District of Oklahoma, Civil Action No. 2155, charging infringement of said Reissue Letters Patent No. Re. 20,827 of August 16, 1938, and particularly of claims 7, 8, 9, 10 and 11 of said Reissue Letters Patent, by reason of the selling or causing to be sold or using or causing to be used by the said The Richards and Conover Company, within said suit District, of certain radio receiving sets, referred to in the complaint of said suit as "Motorola sets, of which Models 25F, 26C, 26C-7, 27D, 20-O, 30-P, 29-B, 29B-6 * * * are typical examples." Said Motorola radio receiving sets were manufactured by the said Galvin Manufacturing Corporation of Illinois and sold to the said The Richards and Conover Company. The aforesaid

recited Motorola radio receiving sets embodied or had installed therein radio condensers and tuners known as Radio Condenser Company Model 28 condensers, which were manufactured by the plaintiff, Radio Condenser Company, and which were sold by it to the said Galvin Manufacturing Corporation. A [4] photostatic copy of drawings of such Model 28 condenser as embodied in said recited Motorola sets is appended hereto and made part hereof and marked "Exhibit 1," and a specimen of such Model 28 condenser is submitted herewith and marked "Exhibit 2."

5. On or about December 15, 1938, the defendant gave notice to the plaintiff, Radio Condenser Company, of its alleged infringement of said Reissue Letters Patent No. Re. 20,827 because of its then manufacture and sale of its aforesaid radio condensers and tuners; and on or about May 11, 1939, plaintiff, Radio Condenser Company, in reply, denied that it was infringing any valid claim of defendant's said Letters Patent. On or about September 7, 1938, the defendant gave notice to the plaintiff, General Instrument Corporation, of the latter's alleged infringement of said Reissue Letters Patent No. Re. 20,827, because of its then manufacture and sale of radio condensers and tuners, which in all substantial and material respects, were the same as the Radio Condenser Company's aforesaid condensers and tuners; and on or about December 5, 1938, the plaintiff, General Instrument Corporation, in reply, denied that it was infringing any valid claim of defendant's said Letters Patent. The condensers and

tuners which were manufactured and sold by the plaintiff, General Instrument Corporation, which were known as General Instrument Corporation Model 31 tuners, were, in all material respects, substantially the same as said Radio Condenser Company's Model 28 condensers. A photostatic copy of drawings of such Model 31 tuners is appended hereto and made part hereof and marked "Exhibit 3," and a specimen of such Model 31 tuner is submitted herewith and marked "Exhibit 4." Plaintiff, Radio Condenser Company, as aforesaid, sold its said Model 28 condensers to the Galvin Manufacturing Company; and the plaintiff, General Instrument Corporation, similarly sold its Model 31 tuners to the said Galvin Manufacturing Company. [5]

6. Reissue Letters Patent No. Re. 20,827 was granted as aforesaid on August 16, 1938, said patent being a reissue of original Letters Patent No. 2,108,538 granted February 15, 1938. Said original Patent No. 2,108,538 was granted on an application filed June 19, 1937, Serial No. 149,245, said to be a division of an original application filed December 15, 1934, Serial No. 757,644. The defendant, LeRoy J. Leishman, was the owner of said original Letters Patent No. 2,108,538 and, since the date when said Reissue Letters Patent No. Re. 20,827 was granted, has been and still is the owner of said Reissue Letters Patent. On or about January 16, 1939, the said defendant, LeRoy J. Leishman, disclaimed claim 5 of said Reissue Letters Patent No. Re. 20,827.

7. On or about January 31, 1941, in the case of *Leishman v. Associated Wholesale Electric Co.*, a case tried in this District Court, and involving a push-button type of radio tuner manufactured by The Crosley Corporation of Cincinnati, Ohio, the said Reissue Letters Patent No. Re. 20,827, and particularly the said claims 7, 8, 9, 10 and 11, were held invalid by this District Court (the Honorable Judge Harrison) and reported in 36 F. Supp. 804; and on August 11, 1943, in an appeal taken by the said *Leishman* from the said decision, the said Reissue Letters Patent No. Re. 20,827, and particularly claims 7, 8, 9, 10 and 11 thereof, were held not infringed by the said push-button type of radio tuner manufactured by the said Crosley Corporation, in a decision rendered by the Circuit Court of Appeals for the Ninth Circuit, dated August 11, 1943, and reported in 137 F. (2d) 722. The said Crosley push-button type of radio tuner involved in said case of *Leishman v. Associated Wholesale Electric Co.* is shown in a drawing Exhibit A prepared and used by said *Leishman* in said case, a photostatic copy of which is appended hereto and [6] made part hereof and of which the marking "Exhibit A" is retained.

8. Plaintiffs aver that the said Reissue Letters Patent No. Re. 20,827 of August 16, 1938, were not infringed by any radio condensers and tuners manufactured and sold by them or each of them. Plaintiff, Radio Condenser Company, avers that the said Reissue Letters Patent No. Re. 20,827 were not in-

fringed by its claims 7, 8, 9, 10 and 11, as charged by the present defendant in his said complaint in the suit against the Richards and Conover Company filed as aforesaid in the District Court for the Western District of Oklahoma, by the sale or use of any Motorola radio receiving sets complained of in said suit in which were embodied or installed said Radio Condenser Company Model 28 radio condensers and tuners which were, as aforesaid, manufactured by the plaintiff, Radio Condenser Company, and sold by it to the Galvin Manufacturing Corporation and resold by Galvin Manufacturing Corporation to The Richards and Conover Company as aforesaid. Plaintiff, General Instrument Corporation, avers that the said Reissue Letters Patent No. Re. 20,827 were similarly not infringed by its manufacture and sale of its Model 31 tuners.

9. Plaintiffs believe and therefore aver that the said Reissue Letters Patent No. Re. 20,827 of August 16, 1938, and particularly as to said claims 7, 8, 9, 10 and 11, is invalid and void on the following grounds:

(a) Because the alleged invention or discovery described and claimed in said Reissue Letters Patent No. Re. 20,827, and all material and substantial parts thereof had been, prior to the alleged invention or discovery thereof by the said LeRoy J. Leishman, or more than two years before the date of his original [7] application for a patent therefor, pat-

ented or described or shown in the following Letters Patent of the United States and foreign countries:

United States Patents:

Patent No.	Date	Inventor
290,894	December 25, 1883.....	Kettel
368,689	August 23, 1887.....	Seales
585,996	July 6, 1897.....	Woodbridge
1,687,420	October 9, 1928.....	Bast
1,704,754	March 12, 1929.....	Marvin
1,906,106	April 25, 1933.....	Schaefer
1,930,192	October 10, 1933.....	Cunningham
1,948,373	February 20, 1934.....	Flaherty
2,014,358	September 10, 1935.....	Miller
2,072,897	March 9, 1937.....	Marschalk

British Patent:

405,716	February 15, 1934.....	Freitag
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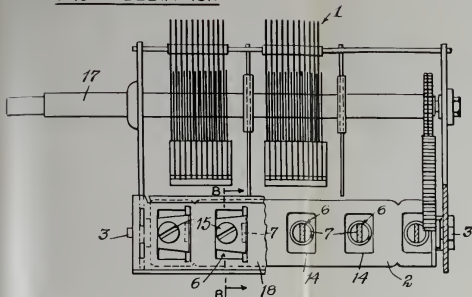
and also other Letters Patent of the United States and foreign countries unknown to the plaintiffs at this time but which when known the plaintiffs pray leave to insert by proper amendment in the complaint.

(b) Because the alleged invention purported to be patented by said Reissue Letters Patent No. Re. 20,827 did not constitute or contain patentable novelty or patentable invention within the meaning of the patent laws, in view of what was common knowledge and in view of the state of the art as it existed prior to the alleged invention or discovery of said alleged invention or discovery of said alleged invention by the applicant, LeRoy J. Leishman, for said Reissue Letters Patent, or more than two years prior to his application [8] for the original Letters Patent therefor, which state of the art is evidenced by the United States and foreign Letters Patent

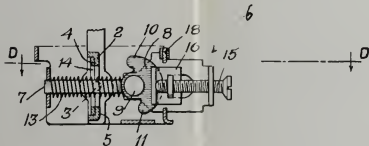
BIT

RADIO CONDENSER COMPANY
CONDENSER AND TUNER
MODEL 28

FRONT ELEVATION

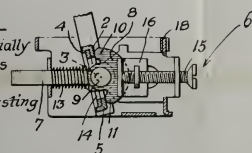


SECTION B-B

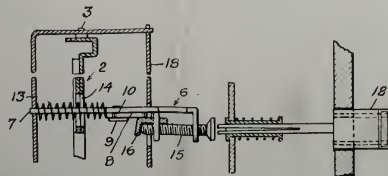


SECTION C-C

Taken on substantially the same plane as section B-B, but illustrating adjusting operation



SECTION D-D



- 1 - Radio apparatus tuning condenser
- 2 - Rotatable rocker mounted upon a shaft 3 and operatively connected with tuning condenser 1
- 4, 5 - Arms or shoulders of rotatable rocker 2, each extending on a different side of shaft 3
- 6 - Plungers for rocker 2, including bar 7
- 8 - Tappet movable about a pivot 9 carried by bar 7, having two ends 10 and 11, one of which engages one of the arms 4, 5 of rocker 2, when bar 7 is pushed inwardly or toward the left (See B-B) by means of push button 12. Bar 7 passes through rocker 2, and through recess 14 in the rocker
- 13 - Spring for plunger 6.

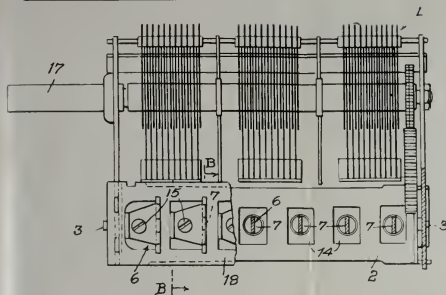
In section C-C, when plunger 6 is pushed to the limit of its movement, pivot 9 is substantially coaxial with rocker 2.

- 15 - Screw for holding tappet 8 in adjusted position by the aid of clamp 16

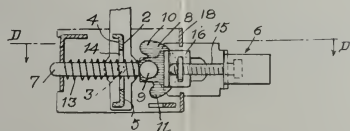
A plurality of plungers 6 is provided for rotating shaft 17 of tuning condenser 1 to a predetermined position, by any one of said plungers 6

- 16 - Cover panel for the mechanism, through which screws 15 extend.

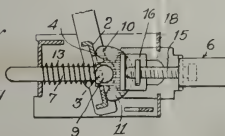
FRONT ELEVATION



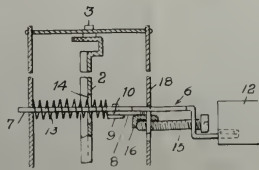
SECTION B-B



SECTION C-C
 When on Substantially
 the same plane as
 section B-B but
 illustrating adjusting
 operation



SECTION D-D



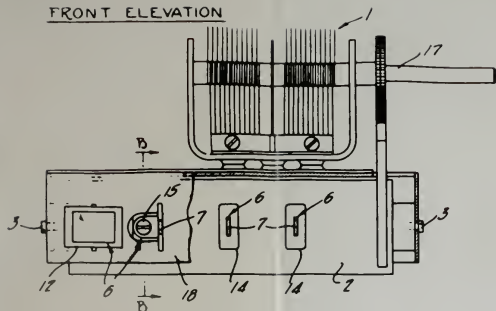
EMPIRIT

GENERAL INSTRUMENT CORPORATION
 CONDENSER AND TUNER
 MODEL 31

- 1 - Radio apparatus tuning condenser
 - 2 - Rotatable rocker mounted upon a shaft 3 and operatively connected with tuning condenser 1
 - 4, 5 - Arms or shoulders of rotatable rocker 2, each extending on a different side of shaft 3
 - 6 - Plungers for rocker 2, including bar 7
 - 8 - Tappet movable about a pivot 9 carried by bar 7, having two ends 10 and 11, one of which engages one of the arms 4, 5 of rocker 2, when bar 7 is pushed inwardly or toward the left (See B-B) by means of push button 12. Bar 7 passes through rocker 2, and through recess 14 in the rocker
 - 13 - Spring for plunger 6.
- In section C-C, when plunger 6 is pushed to the limit of its movement, pivot 9 is substantially coaxial with rocker 2.
- 15 - Screw for holding tappet 8 in adjusted position by the aid of clasp 16
- A plurality of plungers 6 is provided for rotating shaft 17 of tuning condenser 1 to a predetermined position, by any one of said plungers 6
- 16 - Cover panel for the mechanism, through which screws 15 extend.

GENERAL INSTRUMENT CORPORATION, CONDENSER AND TUNER
 Model 31

FRONT ELEVATION



1 - Radio apparatus tuning condenser

2 - Rotatable rocker mounted upon a shaft 3 and operatively connected with tuning condenser 1

4, 5 - Arms or shoulders of rotatable rocker 2, each extending on a different side of shaft 3

6 - Manually movable operating means for rocker 2, including bar 7,

8 - Positioning element in the form of a means adjustably movable about a pivot 9 carried by bar 7, this means having two ends 10 and 11, one of which engages one of the arms 4, 5 of rocker 2, when bar 7 is pushed inwardly or toward the left (See B-B) by means of push button 12. Bar 7 passes through rocker 2.

13 - Spring holding operating means 6 in the inoperative position of Sec B-B.

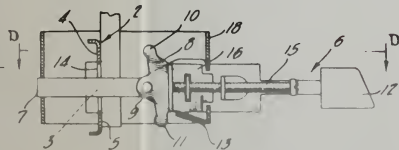
In section C-C, when operating means 6 is pushed to the limit of its movement, pivot 9 is substantially coaxial with rocker 2, there being a recess 14 in rocker 2 between arms 4, 5 to make this possible.

15 - Screw, operable from the external end of member 6 for holding positioning element 8 in adjusted position by the aid of clamp 16

A plurality of operating means 6 is provided for rotating shaft 17 of tuning condenser 1 to a predetermined position, by any one of said means 6

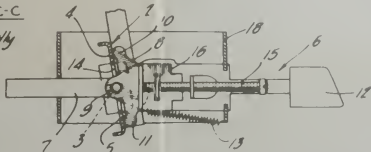
18 Cover panel for the mechanism, through which screws 15 extend.

SECTION B-B

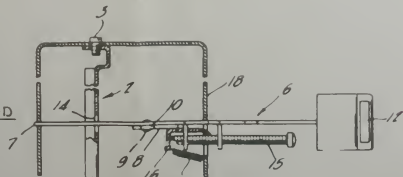


SECTION C-C

Taken on substantially the same plane as section B-B, but illustrating adjusting operation



SECTION D-D



[Endowed]: Filed
April 20, 1945.

[Title of District Court and Cause.]

DEFENDANT'S ANSWER AND COUNTER
CLAIM

To the Honorable the Judges of the District Court
of the United States in and for the Southern
District of California:

Defendant, for answer to Plaintiffs' Complaint
in the above entitled cause, says:

I.

Defendant admits the allegations of Paragraphs 1,
3, 5 and 6 of the complaint.

II.

Defendant denies the allegations of paragraphs
2, 4, and 8, as well as each and every allegation of
Paragraph 9. [14]

III.

Defendant denies the allegations of Paragraph 7
of the complaint 1) because the holding of inval-
idity by this District Court was deleted from the
judgment by the Ninth Circuit Court of Appeals,
and there is thus no decision of invalidity against
the patent; and 2) because the Ninth Circuit Court
of Appeals did not definitely say that the patent was
not infringed by the radio tuner manufactured by
the Crosley Corporation, but merely made a condi-
tional statement as to infringement.

IV.

Defendant further denies that there is any basis
for declaratory relief in favor of the plaintiffs.

Counter Claim of Defendant

The defendant complains of the plaintiffs and alleges:

I. Infringement

That both of the plaintiffs have, within the last six years and prior to the filing of this bill of complaint, and subsequent to the date of granting of reissue Letters Patent No. Re. 20,827, infringed claims 7, 8, 9, 10 and 11 thereof; and the plaintiffs threaten to continue so to infringe by making or causing to be made, or selling or causing to be sold, or using or causing to be used within this district and elsewhere within the United States, automatic tuning mechanisms embodying the inventions disclosed and claimed in defendant's said reissue Letters Patent, wilfully and without the consent of the defendant.

II. Damages

That the plaintiffs have derived unlawful gains and profits [15] from such infringement which defendant would otherwise have received but for such infringement, and has thereby been caused irreparable damages.

Defendant Therefore Prays:

1. For a judgment from this Court that claims 7, 8, 9, 10 and 11 of United States Letters Patent No. Re. 20,827 are valid.
2. For a decree from this Court that both of the plaintiffs have infringed claims 7 to 11, inclusive, of the said reissue patent.

3. For a preliminary as well as a permanent injunction restraining the plaintiffs, their officers, agents, servants and employees from directly or indirectly making or causing to be made, selling or causing to be sold, or using or causing to be used, any automatic tuning mechanism embodying the inventions claimed in the said reissue Letters Patent No. Re. 20,827, or from infringing upon or violating the said Letters Patent in any way whatsoever.

4. For the costs and an accounting of profits and damages.

5. For a dismissal of the complaint on the ground that no proper basis for declaratory relief exists.

6. For such other and further relief as the Court may deem meet and just.

/s/ LEROY J. LEISHMAN,
Defendant.

[Endorsed]: Filed Nov. 16, 1945. [16]

[Title of District Court and Cause.]

PLAINTIFFS' REPLY TO DEFENDANTS'
COUNTERCLAIM

Now comes the plaintiffs and in reply to the Counterclaim filed by defendant allege as follows:

I.

In reply to Paragraph I of said counterclaim, plaintiffs specifically deny each and every allegation thereof.

II.

In reply to Paragraph II of said counterclaim, plaintiffs specifically deny each and every allegation thereof.

For further and affirmative defenses, plaintiffs allege:

III.

Plaintiffs believe and therefore aver that the said Reissue Letters Patent No. Re.20,827 of August 16, 1938, and particularly as to said claims 7, 8, 9, 10 and 11, is invalid and void on the following grounds: [17]

(a) Because the alleged invention or discovery described and claimed in said Reissue Letters Patent No. Re.20,827, and all material and substantial parts thereof had been, prior to the alleged invention or discovery thereof by the said LeRoy J. Leishman, or more than two years before the date of his original application for a patent therefor, patented or described or shown in the following

Letters Patent of the United States and foreign countries:

United States Patents:

Patent No.	Date	Inventor
290,894	December 25, 1883.....	Kettel
368,689	August 23, 1887.....	Seales
585,996	July 6, 1897.....	Woodbridge
1,687,420	October 9, 1928.....	Bast
1,704,754	March 12, 1929.....	Marvin
1,906,106	April 25, 1933.....	Schaefer
1,930,192	October 10, 1933.....	Cunningham
1,948,373	February 20, 1934.....	Flaherty
2,014,358	September 10, 1935.....	Miller
2,072,897	March 9, 1937.....	Marschalk

British Patent:

405,716	February 15, 1934.....	Freytag
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and also other Letters Patent of the United States and foreign countries unknown to the plaintiffs at this time but which when known the plaintiffs pray leave to insert by proper amendment in the answer to the counterclaim.

(b) Because the alleged invention purported to be patented by said Reissue Letters Patent No. Re. 20,827 did not constitute or contain patentable novelty or patentable invention within the meaning of the patent laws, in view of what was common knowledge and in view of the state of the art as it existed prior to the alleged invention or discovery of said alleged invention by the applicant, LeRoy J. Leishman, for said Reissue Letters Patent, or more than two years prior to his application for the original Letters Patent therefor, which state of the art is evidenced by the United States and

foreign Letters Patent set forth in clause (a) hereof and by such other parts of the state of the art which the plaintiffs are ready to prove.

(c) Because the said Reissue Letters Patent No. Re.20,827 is for a different invention from that disclosed and claimed in the original Letters Patent No. 2,108,58 of which it is a reissue.

(d) Because the applicant, LeRoy J. Leishman, for said Reissue Letters Patent was not the first and/or original inventor or discoverer of the thing or things purported to be covered by said Reissue Letters Patent, or of any material or substantial part thereof, but the same thing or things, and all material and essential features, prior to the alleged invention or discovery thereof by Leishman, or for more than two years prior to the date of his original application for a patent therefor, had been invented by (if there be any patentable invention described and claimed in said Reissue Letters Patent) or known to and in public use by or on sale by the applicants for the United States Letters Patent set forth in Clause (a) of this paragraph, residing at the residence stated in said patents, at said places [19] of residences and elsewhere in the United States, and by others whose names and addresses, together with the place of knowledge, use or sale, when ascertained, plaintiffs pray leave to insert by amendment or otherwise.

Wherefore, plaintiffs pray that defendant's Counterclaim be dismissed and that said defendant take nothing thereunder and that these plaintiffs

have such further and additional relief as the Court may deem fit and just, including plaintiffs' costs.

RADIO CONDENSER
COMPANY and
GENERAL INSTRUMENT
CORPORATION,

By LYON & LYON,
/s/ LEONARD S. LYON,
Attorneys for Plaintiffs.

[Endorsed]: Filed Nov. 30, 1945. [20]

[Title of District Court and Cause.]

INTERROGATORIES PROPOUNDED
BY THE DEFENDANT

I.

Now comes the defendant after filing a counter-claim and an answer to the complaint, and files the following interrogatories to the plaintiff General Instrument Corporation, to be answered by an officer of the said plaintiff competent to testify on its behalf:

* * * * *

4. How many automatic tuners or actuators have you sold since November 16, 1939, that employed rockers and tappets constructed and arranged to be substantially coaxial when the plunger had reached the limit of its movement?

5. How many automatic tuners or actuators did you sell between February 15, 1938, and November 16, 1939, that employed rockers and tappets constructed and arranged to be coaxial when the plunger had reached the end of its movement?

6. How many automatic tuners or actuators have you sold since February 15, 1938, that did not employ rockers and tappets constructed and arranged to be coaxial when the plunger had reached the end of its movement?

7. How many automatic tuners or actuators of the general type shown in Plaintiffs' Exhibit 3 have you sold since February 23, 1943?

* * * * *

9. Furnish accurate drawings and a sample of each type automatic tuner or actuator made since February 15, 1938?

10. How many of each type referred to in Interrogatory 9 did you sell between February 15, 1938, and November 16, 1939?

11. How many of each of the models referred to in Interrogatory 9 did you sell between November 16, 1939, and the date of your answer to this Interrogatory 11?

* * * * *

17. How many automatic tuners or actuators have you sold to Wells-Gardner and Co., of Chicago, containing rockers and tappets constructed and arranged to be coaxial when the plunger had reached the limit of its movement?

18. How many automatic tuners or actuators have you sold to the Delco Radio Division of General Motors Corporation containing rockers and tappets constructed and arranged to be coaxial when the plunger had reached the limit of its movement?

* * * * *

II.

Now comes the defendant after filing a counterclaim and an answer to the complaint, and files the following interrogatories to the plaintiff Radio Condenser Company, to be answered by an officer of the said plaintiff competent to testify in its behalf:

* * * * *

4. How many automatic tuners or actuators have you sold since November 16, 1939, that employed rockers and tappets constructed and arranged to be substantially coaxial when the plunger had reached the limit of its movement?

5. How many automatic tuners or actuators did you sell between February 15, 1938, and November 16, 1939, that employed rockers and tappets constructed and arranged to be coaxial when the plunger had reached the end of its movement?

6. How many automatic tuners or actuators have you sold since February 15, 1938, that did not employ rockers and tappets constructed and arranged to be coaxial when the plunger had reached the end of its movement?

7. How many automatic tuners or actuators of the general type shown in Plaintiffs' Exhibit 3 have you sold since February 23, 1943?

* * * * *

9. Furnish accurate drawings and a sample of each type automatic tuner or actuator made since February 15, 1938?

10. How many of each type referred to in Interrogatory 9 did you sell between February 15, 1938, and November 16, 1939?

11. How many of each of the models referred to in Interrogatory 9 did you sell between November 16, 1939, and the date of your answer to this Interrogatory 11?

* * * * *

17. How many automatic tuners or actuators have you sold to Wells-Gardner and Co., of Chicago, containing rockers and tappets constructed and arranged to be coaxial when the plunger had reached the limit of its movement?

18. How many automatic tuners or actuators have you sold to the Delco Radio Division of General Motors Corporation containing rockers and tappets constructed and arranged to be coaxial when the plunger had reached the limit of its movement?

* * * * *

/s/ LEROY J. LEISHMAN,

Defendant.

Dated, Los Angeles, California, December 7, 1945.

Received copy of the within this 7th day of December, 1945.

/s/ LEONARD S. LYON,

Attorneys for Plaintiffs.

[Endorsed]: Filed Dec. 7, 1945. [30]

[Title of District Court and Cause.]

PLAINTIFFS' OBJECTIONS TO
DEFENDANT'S INTERROGATORIES

I.

Plaintiff, General Instrument Corporation, objects to Interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18 heretofore served on it by the defendant on the 7th day of December, 1945, on the grounds that the information called for is irrelevant to any issue in this case.

II.

Plaintiff, Radio Condenser Company, objects to Interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18 heretofore served on it by the defendant on the 7th day of December, 1945, on the grounds [31] that the information called for is irrelevant to any issue in this case.

LYON & LYON,
/s/ LEONARD S. LYON,
Attorneys for Plaintiff.

[Affidavit of service by mail.]

[Endorsed]: Filed Dec. 17, 1945. [32]

At a stated term, to wit: The September Term, A. D. 1945, of the District Court of the United States of America, within and for the Central Division of the Southern District of California, held at the Court Room thereof, in the City of Los Angeles, on Friday, the 18th day of January, in the year of our Lord one thousand nine hundred and forty-six.

Present: The Honorable Campbell T. Beaumont,
District Judge

[Title of Cause.]

Plaintiffs' objections to defendant's interrogatories having been heard by the Court, pursuant to notice filed December 21, 1945, and counsel having argued the same, and the Court having duly considered the same and being fully advised as to the facts and the law, now sustains said objections.

[Title of District Court and Cause.]

MOTION OF PLAINTIFFS FOR
SUMMARY JUDGMENT

Come now the Plaintiffs above named, Radio Condenser Company and General Instrument Corporation, and move this Honorable Court that summary judgment against Defendant herein and in favor of Plaintiffs be entered in the above entitled action, in accordance with Rule 56 of the Rules of Civil Procedure for the District Courts of the United States of America declaring that the tuning devices filed with the complaint in this case and marked Exhibits 2 and 4 do not infringe Claims 7, 8, 9, 10, or 11 of United States Reissue Letters Patent No. Re-20,827.

The grounds for this motion are:

1. Claims 7, 8, 9, 10, and 11 of Reissue Letters Patent No. Re-20,827 are limited to tuners having levers, "the cash register" type, and cannot include in their scope the Plaintiffs' [34] tuners which do not have levers; and

2. The United States Circuit Court of Appeals for the Ninth Circuit has heretofore held in *Leishman v. Associated Wholesale Electric Co.*, 137 F. (2d) 722, that tuners identical patentwise with Plaintiffs' tuners did not infringe Claims 7, 8, 9, 10, or 11 of Reissue Letters Patent No. Re-20,827 upon the ground that the said claims are restricted to tuners having levers.

This motion is based upon the pleadings and files of the above-entitled action; the admissions of defendant; the affidavit of Samuel S. Mackeown, attached to this motion as Exhibit B; the affidavit of Russell E. Cramer, attached to this motion as Exhibit C; a certified copy of the Bill of Complaint in the case of Leishman v. The Richards and Conover Co., attached to this motion as Exhibit D; a certified copy of Plaintiff's Response to Defendant's Motion for Bill of Particulars, in the case of Leishman v. The Richards and Conover Co., attached to this motion as Exhibit E; a certified File Wrapper and Contents in the matter of Re-issue Letters Patent No. Re-20,827 of LeRoy J. Leishman, attached to this motion as Exhibit F; a certified copy of the disclaimer to Claim 5 of Re-issue Letters Patent No. Re-20,827, attached to this motion as Exhibit G; and upon the showing upon the face of surrendered United States Letters Patent No. 2,108,538, a copy of which is attached to this motion as Exhibit H.

Dated this 23rd day of January, 1946.

/s/ LEONARD S. LYON,

/s/ LEONARD S. LYON, JR.,

Attorneys for Plaintiffs. [35]

EXHIBIT B

In the United States District Court
Southern District of California
Central Division

Civil Action No. 4395-BH

RADIO CONDENSER COMPANY and GEN-
ERAL INSTRUMENT CORPORATION,
Plaintiffs,

vs.

LEROY J. LEISHMAN,

Defendant.

AFFIDAVIT OF SAMUEL S. MACKEOWN
FILED IN BEHALF OF PLAINTIFFS

State of California,
County of Los Angeles—ss.

Samuel S. Mackeown, being first duly sworn, deposes and says as follows:

He is a resident of Pasadena, California. He graduated from Cornell University in 1917, majoring in physics and chemistry. In 1917, he accepted a position with the National Bureau of Standards, in Washington, D. C. In 1918, he was appointed a Second Lieutenant in the Signal Corps of the United States Army and was assigned to the Radio Development Section, first at Camp Alfred Vail, and later at the office of the Chief Signal Officer, at Washington, D. C. In 1919 he returned to the Bureau of Standards as Assistant Physicist to con-

tinue work in the radio section. In the fall of 1919 he accepted a position as a Research Engineer with the Western Electric Company. In 1920, he returned to Cornell University as a graduate student and as instructor in physics and received the degree of Doctor of Philosophy, majoring in physics, in 1923. In the fall of 1923, he was awarded a National Research Fellowship in physics from the Rockefeller Foundation and was assigned to work at the California Institute of Technology. In 1926, he accepted a position on the permanent staff of the California Institute of Technology as Assistant Professor of physics and electrical engineering, and since that time he has been continuously in the employ of the California Institute of Technology as Assistant Professor, Associate Professor and Professor. Since 1926, he has been in charge of all of the work at the California Institute of Technology relating to radio communication, electronics, etc.

He testified on behalf of the defendant in the case before Judge Ben Harrison entitled "Leishman v. Associated Wholesale Electric Company," No. 1463-BH, reported in 36 Fed. Supp. 804. In that case certain radio tuning units and condensers manufactured by the Crosley Corporation were charged to infringe Claims 7 to 11, inclusive, of Reissue Letters Patent No. Re. 20,827, issued to LeRoy J. Leishman. He testified regarding the disclosure of Reissue Letters Patent No. Re. 20,827 and compared the Crosley tuning device with the structure shown in the patent.

He has been shown a radio tuning unit manufactured by the Radio Condenser Company and filed as Exhibit 2 to the Complaint in this action. He has also been shown a tuning unit manufactured by the General Instrument Corporation marked Exhibit 4 to the Complaint in this action. He has also been shown a copy of the Bill of Complaint, together with Exhibit 1, which is a [37] drawing of the Radio Condenser tuner Exhibit 2, and Exhibit 3, which is a drawing of the General Instrument tuner Exhibit 4, and Exhibit A. He recognizes Exhibit A as a drawing of the Crosley tuner which was the subject of the aforesaid suit of *Leishman v. Associated Wholesale Electric Company*.

He has made a careful comparison of the Radio Condenser tuner (Exhibits 1 and 2) and of the General Instrument tuner (Exhibits 3 and 4) with a radio tuner manufactured by the Crosley Corporation and shown in the drawing Exhibit A, which he recognizes to be the tuning unit charged to infringe Claims 7 to 11, inclusive, of Reissue Letters Patent No. Re. 20,827 in the *Leishman v. Associated Wholesale Electric Company* case.

Insofar as the subject matter of Reissue Letters Patent No. Re. 20,827 is concerned, these three tuning units (Exhibits 1 and 2, Exhibits 3 and 4, and the Crosley tuner Exhibit A) are identical. Each of these three units contains condensers 1 which are mechanically connected to a shaft 3 upon which is mounted a rocker 2. In each of these three units, the rocker 2 is adapted to coact with an ad-

justable tappet 8. In each of these three units, the adjustable tappet 8 may position the rocker 2 and thus tune the condensers 1 by the depressing of a plunger or push button 12, causing the tappet 8 to move in rectilinear motion. In each of these three units, the tappet 8 can be firmly locked into adjusted position by means of a wedging clamp 16 operated by a screw 15. The push buttons, rockers, tappets, and locking devices on each of these three units are substantially identical, operate in exactly the same manner, and perform exactly the same function; and each of these three units is made of substantially the same parts. One unimportant difference does exist between the Radio Condenser and General Instrument units and the Crosley unit. In the Crosley unit, the positioning member or tappet 8 is urged from coaction with the rocker 2 by a spring 13 in tension, whereas [38] in the Radio Condenser and General Instrument units the positioning member or tappet 8 is urged from coaction with the rocker 2 by a spring 13 in compression. This difference is immaterial and does not concern the functioning of the different tuners in the light of the teachings of Reissue Letters Patent No. Re. 20,827 and Claims 7 to 11 thereof.

Reissue Letters Patent No. Re. 20,827 discloses a tuner which tunes simultaneously two independent radio circuits, one to receive television and one to receive the associated sound. This tuner has two rockers 54 and 48 and two tappets 61 and 62. The Radio Condenser tuner (Exhibits 1 and 2), the General Instrument tuner (Exhibits 3 and 4), and

the Crosley unit (Exhibit A) are capable of tuning only one radio circuit and are not used in a television receiver. They are used only in a receiver for the ordinary radio station which broadcasts sound. None of these three units has any rocker corresponding to the rocker 54 of the Reissue Patent No. Re. 20,827 or any tappet corresponding to the tappet 62, or any parts which perform the function of the rocker 54 and the tappet 62 of the reissue patent.

Reissue Letters Patent No. Re. 20,827 discloses tuner which operates by manually depressing a lever similar to the lever used to operated the ordinary cash register. This lever operates to tune two radio circuits simultaneously. Neither the Crosley tuner nor the Radio Condenser tuner nor the General Instrument tuner use levers. All of these three tuners are operated by manually positioning push buttons or plungers. These push buttons or plungers perform only a part of the function of the levers of the reissue patent since these plungers can tune only one radio circuit and are incapable of tuning two associated radio circuits simultaneously. These plungers or push buttons do not operate in the same way or in substantially the same manner as do the levers of the Reissue Letters Patent No. Re. 20,827. [39]

Since the Radio Condenser tuner (Exhibits 1 and 2) and the General Instrument tuner (Exhibits 3 and 4) have substantially the same structure, operate in exactly the same way, and fulfil the same function as the Crosley tuner (Exhibit A), the same difference in structure, mode of operation, and

function which exist between the Crosley tuner and the tuner disclosed in Reissue Letters Patent No. Re. 20,827 also exist between the Radio Condenser tuner, the General Instrument tuner, and that disclosed in Reissue Letters Patent No. Re. 20,827.

/s/ SAMUEL S. MACKEOWN,
Affiant.

Subscribed and sworn to before me this 22nd day of January, 1946.

[Seal] /s/ IRENE J. KNUDSEN,
Notary Public in and for the County of Los Angeles, State of California. [40]

EXHIBIT C

In the United States District Court, Southern
District of California, Central Division

No. 4395-B Civil

RADIO CONDENSER COMPANY and GEN-
ERAL INSTRUMENT CORPORATION,
Plaintiffs,

vs.

LEROY J. LEISHMAN,

Defendant.

AFFIDAVIT OF RUSSEL E. CRAMER

State of New York,
County of New York—ss.

Russell E. Cramer, being first duly sworn,
hereby deposes and says as follows:

1. I am the Vice President of the plaintiff, Radio Condenser Company, and am fully conversant with the facts hereinbelow stated.

2. The Motorola radio receiving sets referred to in paragraph 4 of the complaint of the above-entitled cause, of which Models 25F, 26C, 26C-7, 27D, 28-O, 30-P, 29-B, 29B-6 referred to in said paragraph 4 of the complaint are typical examples, embodied [41] or had installed therein radio condensers and tuners manufactured by the plaintiff, Radio Condenser Company, and known as Radio Condenser Model 28 condensers. This Model 28 condenser as embodied in said recited Motorola sets is correctly shown in the photostatic copy of the drawing thereof annexed as "Exhibit 1" to the complaint in the above-entitled cause, and the specimen of such Model 28 condenser constituting "Exhibit 2" of the complaint is a correct specimen thereof.

RUSSELL E. CRAMER.

Subscribed and sworn to before me this 12th day of December, 1945.

[Seal] MARIE STIRISS,

Notary Public, New York County, N. Y. Co. Clk's
No. 539, Reg. No. 1175-S-7.

Commission expires March 30, 1947. [42]

EXHIBIT D

In the United States District Court for the
Western District of Oklahoma

Civil Action No. 2155

LEROY J. LEISHMAN,

Plaintiff,

vs.

THE RICHARDS AND CONOVER COMPANY,
a Corporation,

Defendant.

BILL OF COMPLAINT FOR INFRINGEMENT
OF LETTERS PATENT

Plaintiff complains of the defendant and alleges:

I. Plaintiff

That the plaintiff is a citizen of the State of California and resides in the City of Los Angeles, California.

II. Defendant

That the defendant is a corporation organized under and existing by virtue of the laws of the State of Missouri, and has a regular established place of business in the City of Oklahoma City, State of Oklahoma.

III. Jurisdiction

(1) That the jurisdiction of this Court is based upon the Patent Laws of the United States of America.

(2) That the acts of infringement hereinafter complained of were and are being committed in the Western District of Oklahoma, and elsewhere within the United States. [43]

IV. Title to Patents

(1) On February 15, 1938, original United States Letters Patent No. 2,108,538, were duly and legally issued to plaintiff for an invention in "Means and Method for Turning Rotatable Objects to Predetermined Positions," and on August 16, 1938, said Letters Patent were surrendered, and were duly and legally reissued as reissue Letters Patent No. 20,827; and on or about January 16, 1939, the plaintiff disclaimed claim 5 of said reissue Letters Patent No. 20,827.

(2) Plaintiff, since the date of the issuance of said original Letters Patent and until said original Letters Patent were surrendered, has been the owner of said original Letters Patent, and plaintiff, since the date when said reissue Letters Patent were granted, has been and still is the owner of said reissue Letters Patent.

(3) On June 13, 1939, original Letters Patent No. 2,162,282 were duly and legally issued to plaintiff for an invention in Automatic Tuners.

(4) Plaintiff since the date of issuance of the original Letters Patent No. 2,162,282, has been the owner of said original Letters Patent.

V. Infringement

That defendant has, within the last six years and prior to the filing of this bill of complaint, and

subsequent to the dates of granting of said reissue Letters Patent and of said original Letters Patent No. 2,162,282, infringed claims 7, 8, 9, 10 and 11 of said reissue Letters Patent, and claims 7 and 11 of said original Letters Patent No. 2,162,282; and defendant threatens to continue so to infringe by selling or [44] causing to be sold, or using or causing to be used within this district and elsewhere within the United States, radio receiving sets known as Motorola sets, of which Models 25F, 26C, 26C-7, 27D, 28-O, 30-F, 29-B, 29B-6, 35N, 28-O, 9-24, 9-24A, 16C, 181O, 19-B are typical examples, made in accordance with and embodying the inventions disclosed and claimed in plaintiff's said reissue Letters Patent and said Letters Patent 2,162,282, wilfully and without the consent of the plaintiff.

VI. Damage

That defendant has derived unlawful gains and profits from such infringement which plaintiff would otherwise have received but for such infringement, and has thereby been caused irreparable damages.

Plaintiff Therefore Prays:

(1) For a preliminary as well as a permanent injunction restraining the defendant, its officers, agents, servants and employees from directly or indirectly making or causing to be made, selling or causing to be sold, or using or causing to be used, any means for turning rotatable objects to predetermined positions, made in accordance with or embodying the inventions of the said reissue United

States Letters Patent No. 20,827, or from infringing upon or violating the said Letters Patent in any way whatsoever; and restraining the defendants, its officers, agents and employees from directly or indirectly making or causing to be used, any radio sets made in accordance with or embodying the inventions of said original Letters Patent 2,162,282, or from infringing upon or violating the said Letters Patent in any way whatsoever. [45]

(2) For the costs and an accounting of profits and damages.

(3) For such other and further relief as the Court may deem meet and just.

JOHN FLAM,

914 Fidelity Building, Los
Angeles 13, California.

J. B. DUDLEY,

1501 Apco Tower, Oklahoma
City 2, Oklahoma.
Attorneys for Plaintiff.

DUDLEY, DUVALL &
DUDLEY,
Of Counsel.

[Endorsed]: Filed March 7, 1945. Theodore M. Filson, Clerk. By D. Lucille Leslie, Deputy.

CERTIFIED COPY

United States of America,
Western District of Oklahoma—ss.

I, Theodore M. Filson, Clerk of the United States District Court in and for the Western District of Oklahoma, do hereby certify that the annexed and foregoing is a true and full copy of the original Bill of Complaint for Infringement of Letters Patent, filed March 7, 1945, in Case No. 2155-Civil, LeRoy J. Leishman, Plaintiff, vs. The Richards and Conover Company, a corporation, Defendant, as the same appears on file or of record in my office * * *

In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the aforesaid Court at Oklahoma City this 15th day of December, A.D. 1945.

[Seal] THEODORE M. FILSON,
Clerk.

By D. LUCILLE LESLIE,
Deputy Clerk. [47]

EXHIBIT E

In the United States District Court for the
Western District of Oklahoma

No. 2155-Civil

LEROY J. LEISHMAN,

Plaintiff,

vs.

THE RICHARDS AND CONOVER COMPANY,
a Corporation,

Defendant.

RESPONSE OF PLAINTIFF TO MOTION
FOR BILL OF PARTICULARS OF THE
DEFENDANT

(1) As to Paragraphs 1 and 2 of the motion for Bill of Particulars the plaintiff is willing to comply therewith, and in this connection states that the first nine listed models (25F, 26C, 26C-7, 27D, 28-O, 30-P, 29-B, 29B-6, and 35N) infringe Claims 7 to 11, inclusive, of the reissue patent, and the remaining five models (9-24, 9-24A, 16C, 18-O and 19-B) infringe Claims 7 and 11 of Patent No. 2,162,282.

(2) As to Paragraphs 3 and 4 of said motion the plaintiff resists the same for the reason that the information therein sought is premature and the defendant is not entitled to such relief until it has filed a responsive pleading herein, and in support of this contention plaintiff cites:

1. Smith vs. Buckeye Incubator Co. (U. S. Dist. Ct., S.D. Ohio, May 6, 1940), 3 Fed. Rules 148;

2. Bechik vs. Handy Mattress Accessories Corp. (U.S. Dist. Ct., E.D.N.Y., Jan. 8, 1942), 6 Fed. Rules 154;

3. National Nut Co. of California vs. Kellying Nut Co. (U.S. Dist. Ct., N.D. Ill., Nov. 28, 1944), 8 Fed. Rules 12e 241;

4. Bellavance vs. Frank Morrow Co., Inc., (U.S. Dist. Ct., D.R.I., Aug. 28, 1941), 5 Fed. Rules Service 150. [48]

(3) If the Court grants Paragraphs 3 and 4 of said motion, it should do so only on the condition that the defendant supply the plaintiff with a list of the patents, publications, prior inventions and prior uses on which it intends to rely, and in this connection states that this information should be furnished by the defendant simultaneously with the furnishing of the information by the plaintiff as contained in said paragraphs.

JOHN FLAM,

914 Fidelity Building, Los
Angeles 13, California.

J. B. DUDLEY,

1501 Apco Tower, Oklahoma
City 2, Oklahoma.
Attorneys for Plaintiff.

DUDLEY, DUVALL &
DUDLEY,
Of Counsel.

[Endorsed]: Filed Sept. 13, 1945. Theodore M. Filson, Clerk. By Kenneth Groshong, Deputy. [49]

CERTIFIED COPY

United States of America,
Western District of Oklahoma—ss.

I, Theodore M. Filson, Clerk of the United States District Court in and for the Western District of Oklahoma, do hereby certify that the annexed and foregoing is a true and full copy of the original Response of Plaintiff to Motion for Bill of Particulars of the Defendant, filed September 13, 1945, in Case No. 2155-Civil, Leroy J. Leishman, Plaintiff, vs. The Richards and Conover Company, a corporation, Defendant, as the same appears on file and of record in my office * * *

In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the aforesaid Court at Oklahoma City this 15th day of December, A.D. 1945.

THEODORE M. FILSON,

Clerk.

By D. LUCILLE LESLIE,
Deputy Clerk. [50]

EXHIBIT G

Department of Commerce
United States Patent Office

To all persons to whom these presents shall come,
Greeting:

This is to Certify that the annexed is a true copy from the records of this office of the Disclaimer, filed January 16, 1939, in the matter of the Reissue Letters Patent of LeRoy J. Leishman, Number 20,827, granted August 16, 1938, for Improvements in Means and Methods for Turning Rotatable Objects to Predetermined Positions.

In Testimony Whereof I have hereunto set my hand and caused the seal of the Patent Office to be affixed at the City of Washington, this ninth day of January, in the year of our Lord one thousand nine hundred and forty-six and of the Independence of the United States of America the one hundred and seventieth.

[Seal]

CASPER W. OOMS,
Commissioner of Patents.

Attest:

D. E. WILSON,
Chief of Division. [86]

DISCLAIMER

To the Commissioner of Patents:

Your petitioner, LeRoy J. Leishman, a citizen of the United States, residing at Los Angeles, in the county of Los Angeles and State of California, represents that in the matter of certain improvements in Means and Method for Turning Rotatable Objects to Predetermined Positions, for which letters patent of the United States No. Re. 20,827 were granted to him on the 16th day of August, 1938, he is the sole owner of said letters patent, and that he has reason to believe that through inadvertence and without fraudulent or deceptive intention claim 5 of said letters patent may be too broad, including that which may not have involved invention over the prior art.

Your petitioner, therefore, hereby enters this disclaimer to claim 5 of said letters patent.

Signed at Los Angeles, in the county of Los Angeles, and State of California, this 12th day of January, 1939.

LEROY J. LEISHMAN.

Witness:

J. H. LEISHMAN, SR.,

[Stamped]: Jan 16, 39, 138133 D M D 20.00
Mail Division U. S. Patent Office Jan. 16, 1939
Recorded U. S. Patent Office Issue Division Jan 16
1939

[Endorsed]: Filed Jan. 23, 1946. [87]

[Title of District Court and Cause.]

AFFIDAVIT OF LEROY J. LEISHMAN FILED
IN BEHALF OF DEFENDANT

State of California,
County of Los Angeles—ss.

LeRoy J. Leishman, being first duly sworn, deposes and says:

That he is the defendant in the above-entitled action.

That he has prepared the collection of photographs and other illustrations identified as Defendant's Exhibits 1a, 1b, 2a, 2b, 3a, 3b, 4a, 4b, 5a, 5b, 6, 7, 8, 9a, 9b, 10a, 10b, 11a, 11b, 12a, 12b, 13a, 13b, 14a, 14b, 15a, 15b, 16a and 16b.

That the things represented in the said photographs [92] and illustrations, or others that were the same in all pertinent respects, were in existence before February 15, 1938.

That none of the said exhibits and none of the ten patents presented in support of Defendant's Memorandum Opposing Plaintiffs' Motion for Summary Judgment, were presented in evidence in the case of Leishman vs. Associated Wholesale Electric Company, mentioned in the said memorandum.

LEROY J. LEISHMAN,

Affiant.

Subscribed and sworn to before me this 15th day of February, 1946.

[Seal] BEATRICE BERGER,
Notary Public in and for the County of Los Angeles,
State of California.

My commission expires March 25, 1946.

[Endorsed]: Filed Feb. 15, 1946. [93]

[Title of District Court and Cause.]

MOTION TO DENY PLAINTIFFS' MOTION
FOR SUMMARY JUDGMENT AND MO-
TION TO DISMISS THE DECLARATORY
JUDGMENT COMPLAINT

Now comes the defendant and moves that plaintiffs' motion for summary judgment be denied and also moves that the declaratory judgment complaint be dismissed.

I.

The motion to deny Plaintiffs' Motion for Summary Judgment is based upon the following grounds: [189]

1. Since the hearing on Plaintiffs' Motion for Summary Judgment, the situation has materially changed because of the holding of the United States District Court for the Western District of Oklahoma to the effect that the reissue patent here in suit is valid, that plungers and levers are equivalents, and that condenser Model 28 (Pl. Ex. 2) made by the Radio Condenser Company and condenser Model 31 (Pl. Ex. 4) manufactured by General Instrument Corporation are infringements of claims 7 to 11 of the said reissue patent. These are the very tuners which the present plaintiff has asked this court to hold are not infringements of the said claims.

2. Dr. Spotts, associate professor of mechanical engineering at Northwestern University, and expert witness for the defendant in the trial in Oklahoma, admitted in answer to questions of defendant's own

counsel that there would be no problem in substituting a plunger for a lever in the combination set forth in claims 7 to 11 of the reissue patent here in suit.

3. The authorities are in agreement that a summary judgment of non-infringement can only be rendered when there is clearly no infringement and when the facts that must support such a judgment are beyond dispute. In view of the decision of the U. S. District Court for the Western District of Oklahoma, based upon a full trial, to the effect that the tuners before your Honor are infringements of reissue patent No. Re. 20,827, it cannot summarily be held that there is clearly no infringement; and in the light of the expert testimony offered by both parties on the equivalency of levers and plungers in the Oklahoma suit, the proposition that they are not equivalents cannot be considered an indisputable fact. The requirements for a summary judgment in behalf of the plaintiff are manifestly not present. [190]

II.

The Motion to Dismiss the Declaratory Judgment Complaint is based upon the following grounds:

1. Inasmuch as the Declaratory Judgment complaint was based upon the fact that the present defendant had filed a suit in Oklahoma against an alleged customer of a customer of the plaintiffs herein, and upon the allegation that the said plaintiffs were in need of relief that would enjoin the present defendant from prosecuting the said suit in

Oklahoma, and inasmuch as the trial of said suit is now in the past, there is no longer any legal basis for said complaint and the present defendant cannot be enjoined from going to trial on a case that has already been tried.

2. The declaratory judgment action will now serve no useful purpose. If the decision of the U. S. District Court for the Western District of Oklahoma is affirmed by the Tenth Circuit Court of Appeals, there will be a direct conflict between the decision of that court of appeals and the decision of the Ninth Circuit Court of Appeals in the case of *Leishman vs. Associated Wholesale Electric Co.*, 137 F. (2d) 722. The requirements will then be met for a writ of certiorari from the Supreme Court. Inasmuch as its decision will be binding upon the court here, no trial need be held. After a decision by the Supreme Court, the whole matter can then be disposed of here through defendant's counter-claim by means of a motion for summary judgment filed at that time by defendant if the claims are held valid and infringed, or by the plaintiffs if the claims are held invalid or not infringed. Should the Tenth Circuit Court of Appeals reverse the District Court for the Western [191] District of Oklahoma, the instant case can still be more properly disposed of through defendant's counter-claim.

LEROY J. LEISHMAN,
Defendant.

Dated, Los Angeles, California, May 25, 1946.

NOTICE OF HEARING

To Lyon & Lyon,

Attorneys for Plaintiffs:

Please take notice that the undersigned will bring the foregoing motions on for hearing before this Court in the court room of said Court, on the 10th day of June, 1946, at ten o'clock in the forenoon of that day, or as soon thereafter as the defendant and counsel for the plaintiff can be heard.

LEROY J. LEISHMAN,

Defendant.

Dated, Los Angeles, California, May 25, 1946.

(Affidavit of service by mail.)

[Endorsed]: Filed May 25, 1946. [192]

[Title of District Court and Cause.]

AFFIDAVIT OF LeROY J. LEISHMAN

LeRoy J. Leishman, the defendant in the above-entitled action, being duly sworn, deposes and says:

That he attended the trial of civil suit No. 2155, filed by him in the United States District Court for the Western District of Oklahoma, against The Richards and Conover Company, alleging infringement of claims 7 to 11, inclusive, of his U. S. patent No. Re. 20,827, through the sale of Motorola radio receiving sets of which models 25F, 26C, 26C-7, 27D, 28-O, 30-P, 29-B and 29B-6 are typical examples; that the said trial was held before the said court beginning on April 29, 1946; [193]

That Dr. Spotts, associate professor of mechanical engineering at Northwestern University, testified at the said trial as an expert witness for the defendant, The Richards and Conover Company, and that in answer to a question of counsel for the said The Richards and Conover Company, Dr. Spotts stated that no problem would be involved in substituting a plunger for a lever in the tuner shown and described in the said patent;

That at the conclusion of the trial the court rendered its opinion in favor of the plaintiff, LeRoy J. Leishman, on all issues with respect to patent No. Re. 20,827, and holding that the plungers in the tuners in the accused sets are the equivalents of the levers of the said patent.

/s/ LeROY J. LEISHMAN.

Subscribed and sworn to before me this 25th day of May, 1946.

[Seal] BEATRICE BURGER,
Notary Public in and for the County of Los Angeles, State of California.

My Commission Expires March 25, 1950.

(Affidavit of Service by Mail.)

[Endorsed]: Filed May 25, 1946. [194]

In the United States District Court for the
Western District of Oklahoma

Civil Action No. 2155

LeROY J. LEISHMAN,

Plaintiff,

vs.

THE RICHARDS AND CONOVER COMPANY,
a Corporation,

Defendant.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This Cause coming on for trial upon the merits, and evidence having been introduced and the cause having been submitted to the Court, and the Court having rendered its decision herein, Now Therefore, the Court makes the following Findings of Fact and Conclusions of Law:

Findings of Fact

1. The plaintiff, LeRoy J. Leishman, is a citizen of the State of California, and resides in the City of Los Angeles, California.

2. The defendant, The Richards and Conover Company, is a corporation organized under, and existing by virtue of, the laws of the State of Missouri, and has a regular and established place of business in the City of Oklahoma City, State of Oklahoma.

3. Galvin Manufacturing Corporation, a corporation organized under, and existing by virtue of, the laws of the State of Illinois, and having its principal place of business [195] in the City of Chicago, State of Illinois, is the manufacturer of the accused devices, and assumed the defense of this action against the defendant, who was a distributor of its products, and therefore said Galvin Manufacturing Corporation is bound by the judgment herein.

4. On February 15, 1938, original United States Letters Patent No. 2,108,538 were duly and legally issued to plaintiff for an invention in "Means and Method for Turning Rotatable Objects to Predetermined Positions," and on August 16, 1938, said Letters Patent were surrendered, and were duly and legally reissued as reissue Letters Patent No. 20,827; and on or about January 16, 1939, the plaintiff disclaimed claim 5 of said reissue Letters Patent No. 20,827.

5. Plaintiff, since the date of the issuance of said original Letters Patent and until said original Letters Patent were surrendered, has been the owner of said original Letters Patent, and plaintiff, since the date when said reissue Letters Patent were granted, has been and still is the owner of said reissue Letters Patent.

6. Claims 7, 8, 9, 10 and 11 of the reissue patent No. 20,827 are clearly valid, and clearly infringed due to the use of tuning devices in the fol-

lowing radio receiver sets manufactured by said Galvin Manufacturing Corporation and sold by defendant: Models 25F, 26C, 26C-7, 27D, 28-O, 30-P, 29-B, and 29B-6. This finding is made without any regard to any commercial success which plaintiff's tuners have attained.

7. The reissue patent No. 20,827, and especially claims 7, 8, 9, 10 and 11 thereof, are for the same invention as patent 2,108,538; and it appears, from the face of the said patent 2,108,538, that plaintiff intended to claim the invention now claimed by claims 7, 8, 9, 10 and 11 in the reissue patent No. 20,827. [196]

8. The reissue patent No. 20,827 conforms in all respects with the requirements of Section 4916 of the Revised Statutes.

9. The disclaimers filed by plaintiff with respect to reissue patent No. 20,827 are in conformity with Section 4917 of the Revised Statutes.

10. The combination of Plaintiff's claims 7, 8, 9, 10 and 11 of his reissue patent No. 20,827 is illustrated in said patent as a structure including a rocker or positionable element connected with a tuning element, such as a variable condenser, and an adjustable tappet or positioning element mounted on a manual means for moving it, such as a lever, whereby the tappet is brought against the rocker to a position determined by the adjusted position of the tappet. There is a recess in the rocker and, when the rocker and tappet are completely engaged,

the axis of the tappet becomes substantially coaxial with the axis of the rocker.

11. The tappet or positioning element described in plaintiff's reissue patent No. 20,827 may be mounted either on a lever or a plunger to move the tappet, since a lever and a plunger perform their functions in the same way and are mechanical equivalents.

12. The finding 11 is based not only upon the evidence offered on behalf of plaintiff, but also upon the direct testimony of defendant's expert, Dr. Spotts, who testified to the effect that the substitution of plungers for levers is a simple one in the combination covered by claims 7, 8, 9, 10 and 11 of the said reissue patent.

13. The coaxial relationship between the axis of the tappet, or adjustable means, and the axis of the rocker is for the purpose of preventing any rotation whatever of the adjusted [197] tappet and rocker during the adjusting process. Coaxiality has been used in the past for the opposite purpose of permitting parts to move freely and without binding.

14. The defendant presented no example of the use of a coaxial relationship that was at all analogous to the use made of this relationship in the combination set forth in the claims of the reissue patent in suit; and defendant's expert, Dr. Spotts, stated on cross-examination that he knew of no instance in which a coaxial relationship had been previously used for a similar purpose.

15. The coaxial relationship of the tappet and rocker requires that one or both of these members be especially shaped with respect to the other; and a coaxial relationship is not attained merely by mounting a tappet upon a plunger and passing the plunger through an opening in the rocker.

16. The use of plungers for operating mechanical automatic tuners was known long prior to plaintiff's development of his patented structure set forth in the reissue patent in suit.

17. It would not avoid infringement of claims 7, 8, 9, 10 and 11 of the reissue patent in suit to form a rocker or a tappet such as to render it unnecessary to provide an opening in the rocker for bringing the tappet and rocker into substantially coaxial relation when they are fully engaged. Such variations are exemplified in plaintiff's exhibits 40 and 42.

18. There had been a demand in the radio industry for many years for a satisfactory automatic tuner; and numerous inventors in the United States and foreign countries sought to satisfy this demand by devices described in patent applications dating as far back as 1924. [198]

19. Schaefer, exhibit 20, Marschalk, exhibit 18, Lane & Mackey, exhibit 22, and Soffietti, exhibit 21, in Italy, all tried to produce acceptable tuners using an adjustable tappet, but their tuners were all either more or less complex or much harder to adjust than plaintiff's simple structure.

20. The structure of defendant's model, exhibit

M, is not a correct or true representation of the combined teachings of the Marschalk patent 2,072,897 and the Schaefer patent 1,906,106, but was made after hindsight had shown the advantages of providing such a structure. Such a structure could not be arrived at by an ordinary mechanic skilled in the art prior to plaintiff's invention covered by claims 7, 8, 9, 10 and 11 of the reissues patent in suit.

21. In the summer of 1937, the radio industry was using to a great extent automatic tuners referred to as motor driven tuners and telephone dial tuners. These were so inaccurate mechanically that they required expensive automatic frequency control circuits to make them at all acceptable to the trade. These tuners are shown in the June, July, and August, 1937, issues of Radio Retailing.

22. Plaintiffs, in the summer of 1937, interviewed numerous radio set manufacturers, including the Crosley Corporation and Clinton Manufacturing Company, as well as Crowe Name Plate and Manufacturing Company, which was a parts manufacturer. All of these manufacturers interviewed were dissatisfied with the then existing forms of automatic tuning devices, and expressed great interest in plaintiff's proposals to provide a new form of automatic tuning. Plaintiff told these manufacturers of his issued patent 2,084,851, issued June 22, 1937, and demonstrated to them another form of tuner using two point positioning and utilizing the invention disclosed in a patent application [199] which later issued as patent 2,163,343, and the per-

tinient features of which are embodied in plaintiff's exhibit 38. During the demonstrations at some of these manufacturers' plants, the relative merits of using plungers and levers as a means for operating radio tuners were discussed.

23. As a result of this trip in the summer of 1937, Crowe Name Plate and Manufacturing Company and Clinton Manufacturing Company took licenses under the application that resulted in said patent No. 2,163,343; and, later, Crowe Name Plate and Manufacturing Company took a license under patent 2,108,538, said latter patent being later surrendered and reissued as the reissue patent in suit.

24. On June 22, 1937, the date of issue of patent 2,084,851, knowledge of the structure incorporated in the reissue patent in suit became available to the public and to radio set and parts manufacturers, since the file wrapper and history of said patent 2,084,851 included Figs. 14, 15, and 16 and their descriptions, said figures being identical with the drawings of the patent in suit. Said Figs. 14, 15, and 16 were cancelled, along with the descriptions thereof, in order to incorporate them in the divisional application that resulted in patent 2,108,538, which was reissued as the patent in suit, but these figures and their descriptions nevertheless remained in the file wrapper of patent No. 2,084,851.

25. Early in the year 1938, radio set manufacturers and radio parts manufacturers began to use radio tuners embodying the invention covered by claims 7, 8, 9, 10 and 11 of the reissue patent in

suit. Tuners of this kind were supplied to the public in approximately 8,000,000 radio sets up to April, 1942. These tuners were sufficiently accurate mechanically to operate satisfactorily without the need of automatic frequency control [200] circuits, and were easy to adjust to different broadcasting stations. The popularity of the motor driven and telephone dial tuners declined after 1938, and are now virtually obsolete.

26. The infringing tuners sold by defendant are exemplified generally by the defendant's exhibits G and H. These infringing devices were manufactured respectively by Radio Condenser Company and General Instrument Corporation, which are the joint plaintiffs in an action now pending in the District Court of the United States, Southern District of California, Central Division, and entitled: Radio Condenser Company and General Instrument Corporation v. LeRoy J. Leishman, No. 4395 B.H.

27. The tuners referred to in Finding 26 do not differ in any essential respect, so far as the question of infringement is concerned, from the tuner manufactured by Crosley Corporation of Cincinnati, Ohio, and which was the accused device in the action entitled LeRoy J. Leishman v. Associated Wholesale Electric Co., tried in the Southern District of California and reported in 36 F. Supp. 804. In said action, the Circuit Court of Appeals for the Ninth Circuit rendered its opinion, reported in 137 F (2nd) 722.

Conclusions of Law

1. Claims 7, 8, 9, 10 and 11 of the reissue patent No. 20,827 are good and valid in law.

2. Defendant infringed said claims 7, 8, 9, 10 and 11 of said reissue patent by the sale of Motorola sets, Models 25F, 26C, 26C-7, 27D, 28-O, 30-P, 29-B, and 29B-6, in the Western District of Oklahoma and elsewhere. These sets were manufactured by Galvin Manufacturing Corporation. [201]

The above findings and conclusions are limited to the issues on Reissue patent 20,827; further findings and conclusions will be made hereafter on the issues with respect to the other patent in suit, No. 2-162,282.

STEPHEN S. CHANDLER, JR.,
Judge.

Dated 6/10, 1946.

[Endorsed]: Filed June 10, 1946.

[Title of District Court and Cause.]

INTERLOCUTORY JUDGMENT RE REISSUE
PATENT 20,827

This cause came on to be heard at the term of this Court held in Oklahoma City, Oklahoma; and, therefore, upon consideration thereof, it is hereby ordered, adjudged, and decreed:

1. That plaintiff, LeRoy J. Leishman, is the owner of United States Letters Patent Reissue No.

20,827, the invention disclosed therein, and of all rights and privileges under the said United States Letters Patent.

2. That claims 7, 8, 9, 10 and 11 of said reissue patent are good and valid in law.

3. That defendant, The Richards and Conover Company, has infringed claims 7, 8, 9, 10 and 11 of said reissue patent by the sale of Motorola sets: Models 25F, 26C, 26C-7, 27D, 28-O, 30-P, 29-B, and 29B-6, which embodied tuners of the type exemplified in defendant's exhibits G and H.

4. That a perpetual injunction issue forthwith against the defendant, The Richards and Conover Company, its officers, agents, servants, and employees, restraining them from directly or indirectly making or causing to be made, selling or causing to be sold, or using or causing to be used, any tuners for radio sets made in accordance with or embodying the inventions set forth in claims 7, 8, 9, 10 and 11 of said reissue United States Letters Patent No. 20,827, and as exemplified in [203] defendant's exhibits G and H, or from infringing upon or violating the said claims in any way whatever.

5. That plaintiff recover from the defendant, The Richards and Conover Company, the damages which plaintiff has suffered and the profits which the said defendant has made by reason of its infringement of said Reissue Letters Patent No. 20,827, and that this cause be referred to
to take and report on account of such profits and

damages, and that the defendant, its officers, agents, servants, and employees, are required to attend before said master from time to time as he shall direct, and to produce before him all such books, papers, vouchers, documents, and devices, and to submit to such oral examination as he may direct.

6. That the plaintiff recover from the defendant his costs and disbursements to be taxed by the clerk, and in the amount of _____ ; and that plaintiff have execution therefor against the said defendant.

STEPHEN S. CHANDLER, JR.,
Judge.

Dated 6/10, 1946.

[Endorsed]: Filed June 10, 1946.

CERTIFIED COPY

United States of America,
Western District of Oklahoma—ss.

I, Theodore M. Filson, Clerk of the United States District Court in and for the Western District of Oklahoma, do hereby certify that the annexed and foregoing is a true and full copy of the original

1. Findings of Fact and Conclusions of Law, filed June 10, 1946, and

2. Interlocutory Judgment Re Reissue Patent 20,827, filed and entered June 10, 1946, in case No. 2155-Civil, LeRoy J. Leishman, Plaintiff, vs. The

Richards and Conover Company, Defendant, as the same appear on file and of record in my office.

In Testimony Whereof, I have hereunto subscribed my name and affixed the seal of the aforesaid Court at Oklahoma City this 10th day of June, A.D. 1946.

[Seal] THEODORE M. FILSON,
Clerk.

By /s/ D. LUCILLE LESLIE,
Deputy Clerk.

[Endorsed]: Filed May 29, 1947.

In the United States District Court, Southern
District of California, Central Division

No. 4395-B—Civil

RADIO CONDENSER COMPANY and GEN-
ERAL INSTRUMENT CORPORATION,
Plaintiffs,

vs.

LeROY J. LEISHMAN,

Defendant.

MOTION UNDER RULE 15d

Now Comes the defendant in the above-entitled cause, and moves that this court grant leave to the defendant to file a supplemental answer to the com-

plaint and a second supplemental counterclaim, copies of which are hereto annexed, in the above-entitled cause, and that the order for a summary judgment be vacated; and the defendant says:

1. On the 20th day of April, 1945, plaintiffs filed their complaint in this court against defendant, asking [206] this court to declare claims 7, 8, 9, 10 and 11 of patent No. Re. 20,827 invalid and not infringed by the plaintiffs as a result of their manufacture and sale of automatic tuning devices represented by Radio Condenser Company Model 28 condenser and General Instrument Corporation Model 31 tuner.

2. Thereafter, on the 16th day of November, 1945, defendant filed his answer in this cause, together with a counterclaim asking that this court hold the said claims of the said reissue patent to be valid and infringed by the plaintiffs as a result of their manufacture and sale of automatic tuning devices represented by the said models.

3. Since the filing of the said answer and counterclaim, the U. S. District Court for the Western District of Oklahoma, in the case of LeRoy J. Leishman v. The Richards and Conover Company, Civil Action No. 2155, has held that claims 7, 8, 9, 10 and 11 of the said reissue patent are valid and that Radio Condenser model 28 condenser and General Instrument model 31 tuner are infringements of the said claims of the said reissue patent.

4. The Findings of Fact, Conclusions of Law, and Interlocutory Judgment in the said case in the

U. S. District Court for the Western District of Oklahoma were signed by the said court on June 10, 1946.

5. The record of the trial of the said case of LeRoy J. Leishman v. The Richards and Conover Company, Civil Action No. 2155, contains evidence that the plaintiffs [207] in the present action participated in the defense of the said The Richards and Conover Company.

/s/ LeROY J. LEISHMAN,
Defendant.

Dated, Los Angeles, California, June 21, 1946.

NOTICE OF HEARING

You Will Please Take Notice that on the 1st day of July, 1946, at 10 a.m., or as soon thereafter as the defendant and counsel for the plaintiffs can be heard, the undersigned defendant will bring on for hearing in the courtroom of the above-entitled court, Los Angeles, California, defendant's Motion under Rule 15d.

/s/ LeROY J. LEISHMAN,
Defendant.

Dated, Los Angeles, California, June 21, 1946.

(Affidavit of Service by Mail.)

[Endorsed]: Filed June 21, 1946. [208]

[Title of District Court and Cause.]

AFFIDAVIT OF MAXWELL JAMES

State of New York,
County of New York—ss.

Maxwell James, being duly sworn, hereby deposes and says as follows:

(1) I am a member of the firm of James and Franklin, patent lawyers, located at 521 Fifth Avenue, New York 17, New York. I am and have been for many years the attorney in patent causes for both of the plaintiffs in this suit, namely Radio Condenser Company and General Instrument Corporation. I am fully acquainted with all of the facts and procedure in this suit, and have direct knowledge of the facts hereinbelow set forth. [209]

(2) At no time has either of the plaintiffs, Radio Condenser Company or General Instrument Corporation, controlled the defense or participated in any pecuniary or other manner in the control of the defense in the case of LeRoy J. Leishman vs. The Richards and Conover Company, pending in the United States District Court for the Western District of Oklahoma.

(3) In the Reporter's Transcript of Proceedings in the present case of the hearing had before your Honor on Tuesday, June 11, 1946, the charge is made (addressed to Leonard S. Lyon, Sr., Esq.) at pages 44 and 45, as follows:

"Isn't it true that you loaned to counsel in

that case a model that you prepared for the case here of the Marschalk tuner?" (By Mr. Leishman.)

"Mr. Leishman: You loaned them a model that was prepared showing how the Schaefer tuner could be combined with the Marschalk tuner, certain elements, did you not?"

It was deponent who did lend to Mr. Foorman L. Mueller, attorney for the defendant in the Oklahoma suit, the Richards and Conover Company, and for the Galvin Company who assumed the defense of the Oklahoma suit, a model of the tuner of the Marschalk patent No. 2,072,897, and a model showing how the tuner of the Schaefer patent No. 1,906,106 could be combined with the Marschalk tuner. The circumstances leading to such loan, are as follows:

(a) On April 2, 1946, Mr. Mueller called deponent on the telephone from Chicago, and informed the deponent that Judge Chandler was compelling Mr. Mueller to go to trial in the Oklahoma suit on Monday, April 29th, and that he, Mr. Mueller, was not fully prepared for trial; that he, Mr. Mueller, did not have any or many physical exhibits to explain to the Court at such trial; and Mr. Mueller inquired whether deponent was [210] in possession of any physical exhibits that deponent might lend to Mr. Mueller.

(b) Deponent replied that several years ago, the model maker for Radio Condenser Com-

pany had prepared a model of the Marschalk patent and another model showing how the lever device of the Schaefer patent could be substituted for the lever device of the Marschalk patent, to demonstrate that there was no invention in so doing, and that deponent was and had been in possession of these two models for these many years, and that deponent would be glad to lend these models to Mr. Mueller for whatever use they might serve him, to be returned to deponent as soon as possible.

(c) Pursuant to this discussion, these two models were delivered and loaned to Mr. Mueller.

(4) The lending of these two models to Mr. Mueller under the circumstances mentioned, ended the assistance thus alleged by Mr. Leishman to have been given to Mr. Mueller. Deponent (for himself and on or in behalf of either of the plaintiffs herein) had absolutely no voice even as to the manner in which these models were to be used at the Oklahoma trial, and deponent (again for himself and on or in behalf of either of the plaintiffs herein) had no voice whatsoever in directing, determining or in any wise controlling any phase whatsoever of the trial in the Oklahoma case.

/s/ MAXWELL JAMES,
Affiant.

Subscribed and sworn to before me this 24th day of June, 1946.

[Seal] /s/ MARIE STIRISS,
Notary Public, New York County. N. Y. Co. Clk's
No. 539 Reg. No. 1175-S-7.

Commission expires March 30, 1947.

[Affidavit of service by mail.]

[Endorsed]: Filed June 28, 1946. [211]

[Title of District Court and Cause.]

SECOND AFFIDAVIT IN SUPPORT OF
MOTION UNDER RULE 15(d)

State of California,
County of Los Angeles—ss.

LeRoy J. Leishman, being duly sworn, deposes and says:

1. That he is the defendant in the above entitled action and the plaintiff in Civil Action No. 2155, brought in the United States District Court for the Western District of Oklahoma; and that he attended the trial of Civil Action No. 2155, beginning on the 29th day of April, 1946, in Oklahoma City, Oklahoma. [212]

2. That all the models presented in behalf of the defendant in said Civil Action No. 2155, in opposition to Reissue patent No. Re. 20,827, were stock production models, excepting two; that these two were specially constructed models designed for

presenting defense arguments to the court, and were furnished by the plaintiffs in the present action.

3. That one of the said specially constructed models was designed and constructed to illustrate to a trial court the device shown and described in patent No. 2,072,897, issued to Marschalk, and cited both by the defendants herein and by the defendants in the said action against The Richards and Conover Company.

4. That the other of the said specially constructed models was known at the said trial as Defendant's Exhibit M; that the said model consisted of a lever and tappet assembly especially constructed to conform in general to that shown in the Schaefer patent No. 1,906,106, cited both by the plaintiff in the instant action and by the defendant in the Oklahoma action, and of a rocker especially constructed to conform in some respects to that shown in the said Marschalk patent; and that the simulated Marschalk rocker was changed in various material respects from the construction shown in the Marschalk patent.

5. That Mr. Foorman L. Mueller, counsel for the defendant in the said Civil Action No. 2155, stated that the said model Exhibit M, was furnished by the plaintiffs in the instant action.

6. That the said model Exhibit M was obviously built for the express purpose of presenting and illustrating the defense that the structure set forth

in claims 7 to 11 of reissue patent No. Re. 20,827 could be arrived at without invention by combining the teachings of the said Schaefer and Marschalk patents; and that this legal defense necessarily had to be formulated [213] before the said Model Exhibit M could have been built.

7. That early in the trial of the said Oklahoma action, Mr. Mueller, counsel for the defendant there, stated that Dr. Spotts, who was then in Chicago, could be present at the trial only on Wednesday, May first, and that he, Mueller, therefore wanted permission to put Dr. Spotts on the witness stand on that day irrespective of whether or not the plaintiff had finished presenting his case; and that in order to secure such consent, Mr. Mueller exhibited the said model Exhibit M and stated that Dr. Spotts' testimony would consist solely of an explanation of the Marschalk and Schaefer devices and of the model last above mentioned.

8. That the said model Exhibit M was of such a nature that it was, and would be, perfectly obvious to anyone familiar with the Marschalk and Schaefer patents, how the said model was intended to be used at the trial—so much so, in fact, that Mr. John Flam and affiant were able, merely as a result of seeing the said model, to prepare Dr. Spotts' cross-examination before he had even left Chicago.

9. That Dr. Spotts was the only witness against reissue patent No. Re. 20,827, at the trial of the said Oklahoma action, and that his testimony

against the said reissue patent dealt solely with said model Exhibit M and with such advance explanations of the Schaefer and Marschalk structures as were necessary to give meaning and significance to the said model.

10. That a certified copy of the Findings of Fact, Conclusions of Law, and Judgment in the Oklahoma action are on file before this court.

/s/ LEROY J. LEISHMAN,
Affiant.

Subscribed and sworn to before me this 6th day of July, 1946.

[Seal] /s/ BEATRICE BURGER,
Notary Public in and for the County of Los Angeles, State of California.

My commission expires March 25, 1950.

[Endorsed]: Filed July 8, 1946. [214]

[Title of District Court and Cause.]

DEFENDANT'S FIRST SUPPLEMENTAL
ANSWER AND SECOND SUPPLEMENTAL
COUNTERCLAIM

To the Honorable the Judges of the District Court
of the United States in and for the Southern
District of California:

Defendant, as a supplemental answer to Plaintiff's Complaint in the above entitled cause, says:

I.

Defendant alleges that the plaintiffs herein had the right to participate in and control the defense of the action [215] entitled "LeRoy J. Leishman v. The Richards and Conover Company," specified in paragraph 4 of plaintiffs' complaint herein, said action being in the United States District Court for the Western District of Oklahoma, Civil Action No. 2155.

II.

Defendant alleges that the plaintiffs herein did participate in, and did jointly control, the defense of said action against The Richards and Conover Company.

III.

Defendant alleges that the plaintiffs designed and constructed a special model to illustrate to a trial court the device shown and described in patent No. 2,072,897, issued to Marschalk, and cited both by the plaintiffs herein and by the defendants in the said action against The Richards and Conover Company.

IV.

Defendant alleges that the plaintiffs herein furnished the said specially constructed model of the Marschalk device to the defendant in the said action against The Richards and Conover Company to be used in the defense of said action to explain the workings of said Marschalk device to the court.

V.

Defendant alleges that the plaintiffs herein prepared a defense to be used to attack the validity of defendant's patent No. Re. 20,827, which said defense was to the effect that the structure of said patent could be arrived at by combining the teachings of the said Marschalk patent and the teachings of patent No. 1,906,106, issued to Schaefer, which said Schaefer patent was cited by the [216] plaintiffs herein as well as by the defendant in the said action against the said The Richards and Conover Company; that the plaintiffs herein, at their expense, designed a model for the purpose of presenting such defense to a trial court; that the plaintiffs herein, at their expense, constructed a model according to said design; that the said model consisted of a lever and tappet assembly especially constructed by the plaintiffs to conform in general to that shown and described in the said Schaefer patent, and of a rocker especially constructed by the plaintiffs to conform in some respects to that shown in the said Marschalk patent; that the said model was ingeniously conceived and built in an attempt to give the court the erroneous impression that the structure of patent No. Re. 20,827 would be arrived at without invention by combining the teachings of the said Schaefer and Marschalk patents; that the simulated Marschalk rocker was changed in various material respects from the construction shown in the Marschalk patent in order that the model might respond to the language of the claims at issue in

the present action as well as in the action against the said The Richards and Conover Company.

VI.

The defendant alleges that Mr. Mueller, counsel for the said The Richards and Conover Company, conferred on various occasions with Maxwell James, who is and has been for many years the attorney in patent causes for both of the plaintiffs in the present suit; that in one of such conferences, held by telephone, Mr. Mueller asked Mr. James for help in the preparation of the defense of the said action against the said The Richards and Conover Company. [217]

VII.

Defendant alleges that Mr. James, instead of refusing to take any part in the defense of said suit against the said The Richards and Conover Company, or to exercise any control over it, responded to Mr. Mueller's request and furnished him not only with the defense that the said reissue patent was invalid as merely combining the teachings of the said Marschalk and Schaefer patents, but also with the means to illustrate and explain this defense to the court; that the said means consisted of the two specially constructed models hereinbefore mentioned.

VIII.

Defendant alleges that the defendant in the said suit against the said The Richards and Conover Company presented only one witness against re-

issue patent No. 20,827, said witness being Dr. Spotts; and that Dr. Spotts' testimony against the said reissue patent consisted solely of an explanation of the Schaefer and Marschalk structures and of the model furnished by the plaintiffs herein for the purpose of making it appear that the device shown and described in the said reissue patent could be arrived at without invention by combining the Marschalk and Schaefer teachings.

IX.

Defendant alleges that no defense was presented at the trial of the said action against The Richards and Conover Company excepting the defense which the models furnished by the plaintiffs herein were especially built to demonstrate; and that no other model of any kind was presented by the defendant at the said trial excepting regular stock production models. [218]

X.

Defendant alleges that the furnishing of these specially constructed models controlled the defense against reissue patent No. Re. 20,827 in the said action against The Richards and Conover Company; that the said models were used at the trial for the purpose for which they were designed and intended to be used, namely, to present the defense that reissue patent No. 20,827 was invalid as involving no invention over the combined teachings of Schaefer and Marschalk.

XI.

Defendant alleges that the plaintiffs herein participated in the defense and in the control of the defense of said action against The Richards and Conover Company in yet other ways than those here specifically set forth, which said other ways are yet to be discovered and may not be discovered until witnesses can be examined at a trial of the present action.

XII.

Defendant alleges that in the said action against The Richards and Conover Company in the United States District Court for the Western District of Oklahoma, Civil Action No. 2155, an interlocutory judgment as well as findings of fact and conclusions of law were duly filed on the tenth day of June, 1946; that said judgment, findings and conclusions constituted a final determination that claims 7, 8, 9, 10 and 11 of reissue patent No. Re. 20,827, here in suit, were valid and were infringed by tuners manufactured by the plaintiffs in this action—i.e., Radio Condenser Company and General Instrument Corporation; that Findings [219] 6, 20, and 26 of said suit in the Western District of Oklahoma read as follows:

“6. Claims 7, 8, 9, 10 and 11 of the reissue patent No. 20,827 are clearly valid, and clearly infringed due to the use of tuning devices in the following radio receiver sets manufactured by said Galvin Manufacturing Corporation and sold by defendant; Models 25F; 26C; 26C-7;

27D; 28-O; 20-P; 29-B and 29 B-6. This finding is made without any regard to any commercial success which plaintiff's tuners have attained."

"20. The structure of defendant's model, exhibit M, is not a correct or true representation of the combined teachings of the Marschalk patent 2,072,897 and the Schaefer patent 1,906,106, but was made after hindsight had shown the advantages of providing such a structure. Such a structure could not be arrived at by an ordinary mechanic skilled in the art prior to plaintiff's invention covered by claims 7, 8, 9, 10 and 11 of the reissue patent in suit."

"26. The infringing tuners sold by defendant are exemplified generally by the defendant's exhibits G and H. These infringing devices were manufactured respectively by Radio Condenser Company and General Instrument Corporation, which are the joint plaintiffs in an action now pending in the District Court of the United States, Southern District of California, Central Division, and entitled: Radio Condenser Company and General Instrument Corporation v. LeRoy J. Leishman, No. 4395 B. H."

Exhibit M, referred to in Finding 20, *supra*, was one of the two specially constructed models furnished to counsel for the defendant in the Oklahoma action by the plaintiffs [220] in the present action.

XIII.

Defendant alleges that by participating in the defense and control of said action in the Western District of Oklahoma, the plaintiffs herein are bound by the outcome of that suit; and accordingly they are not entitled to any declaratory relief or any relief whatever, since the devices held to be infringements of said claims 7, 8, 9, 10 and 11 of reissue patent No. Re. 20,827 in said action in the Western District of Oklahoma are identical with those specified in paragraphs 4 and 5 of plaintiffs' complaint herein, and were of plaintiffs' manufacture.

Defendant's Second Supplemental Counterclaim

In further complaint of the plaintiffs:

I.

Defendant alleges that the plaintiffs herein had the right to participate in and control the defense of the action entitled "LeRoy J. Leishman v. The Richards and Conover Company," specified in paragraph 4 of plaintiffs' complaint herein, said action being in the United States District Court for the Western District of Oklahoma, Civil Action No. 2155.

II.

Defendant alleges that the plaintiffs herein did participate in, and did jointly control, the defense of said action against The Richards and Conover Company. [221]

III.

Defendant alleges that the plaintiffs designed and constructed a special model to illustrate to a trial court the device shown and described in patent No. 2,072,897, issued to Marschalk, and cited both by the plaintiffs herein and by the defendants in the said action against The Richards and Conover Company.

IV.

Defendant alleges that the plaintiffs herein furnished the said specially constructed model of the Marschalk device to the defendant in the said action against The Richards and Conover Company to be used in the defense of said action to explain the workings of said Marschalk device to the court.

V.

Defendant alleges that the plaintiffs herein prepared a defense to be used to attack the validity of defendant's patent No. Re. 20,827, which said defense was to the effect that the structure of said patent could be arrived at by combining the teachings of the said Marschalk patent and the teachings of patent No. 1,906,106, issued to Schaefer, which said Schaefer patent was cited by the plaintiffs herein as well as by the defendant in the said action against the said The Richards and Conover Company; that the plaintiffs herein, at their expense, designed a model for the purpose of presenting such defense to a trial court; that the plaintiffs herein, at their ex-

pense, constructed a model according to said design; that the said model consisted of a lever and tappet assembly especially constructed by the plaintiffs to conform in general to that shown and described in the said Schaefer patent, and of a [222] rocker especially constructed by the plaintiffs to conform in some respects to that shown in the said Marschalk patent; that the said model was ingeniously conceived and built in an attempt to give the court the erroneous impression that the structure of patent No. Re. 20,827 would be arrived at without invention by combining the teachings of the said Schaefer and Marschalk patents; that the simulated Marschalk rocker was changed in various material respects from the construction shown in the Marschalk patent in order that the model might respond to the language of the claims at issue in the present action as well as in the action against the said The Richards and Conover Company.

VI.

The defendant alleges that Mr. Mueller, counsel for the said The Richards and Conover Company, conferred on various occasions with Maxwell James, who is and has been for many years the attorney in patent causes for both of the plaintiffs in the present suit; that in one of such conferences, held by telephone, Mr. Mueller asked Mr. James for help in the preparation of the defense of the said action against the said The Richards and Conover Company.

VII.

Defendant alleges that Mr. James, instead of refusing to take any part in the defense of said suit against the said The Richards and Conover Company, or to exercise any control over it, responded to Mr. Mueller's request and furnished him not only with the defense that the said reissue patent was invalid as merely combining the teachings of the said Marschalk and Schaefer patents, but also with the means to illustrate and explain this defense to the court; that the [223] said means consisted of the two specially constructed models hereinbefore mentioned.

VIII.

Defendant alleges that the defendant in the said suit against the said The Richards and Conover Company presented only one witness against reissue patent No. 20,827, said witness being Dr. Spotts; and that Dr. Spotts' testimony against the said reissue patent consisted solely of an explanation of the Schaefer and Marschalk structures and of the model furnished by the plaintiffs herein for the purpose of making it appear that the device shown and described in the said reissue patent could be arrived at without invention by combining the Marschalk and Schaefer teachings.

IX.

Defendant alleges that no defense was presented at the trial of the said action against The Richards and Conover Company excepting the defense which

the models furnished by the plaintiffs herein were especially built to demonstrate; and that no other model of any kind was presented by the defendant at the said trial excepting regular stock production models.

X.

Defendant alleges that the furnishing of these specially constructed models controlled the defense against reissue patent No. Re. 20,827 in the said action against The Richards and Conover Company; that the said models were used at the trial for the purpose for which they were designed and intended to be used, namely, to present the defense that re-issue patent No. 20,827 was invalid as involving no invention over the combined teachings of Schaefer and Marschalk. [224]

XI.

Defendant alleges that the plaintiffs herein participated in the defense and in the control of the defense of said action against The Richards and Conover Company in yet other ways than those here specifically set forth, which said other ways are yet to be discovered and may not be discovered until witnesses can be examined at a trial of the present action.

XII.

Defendant alleges that in the said action against The Richards and Conover Company in the United States District Court for the Western District of Oklahoma, Civil Action No. 2155, an interlocutory

judgment as well as findings of fact and conclusions of law were duly filed on the tenth day of June, 1946; that said judgment, findings and conclusions constituted a final determination that claims 7, 8, 9, 10 and 11 of reissue patent No. Re. 20,827, here in suit, were valid and were infringed by tuners manufactured by the plaintiffs in this action—i.e., Radio Condenser Company and General Instrument Corporation; that Findings 6, 20 and 26 of said suit in the Western District of Oklahoma read as follows:

“6. Claims 7, 8, 9, 10 and 11 of the reissue patent No. 20,827 are clearly valid, and clearly infringed due to the use of tuning devices in the following radio receiver sets manufactured by said Galvin Manufacturing Corporation and sold by defendant: Models 25F, 26C, 26C-7, 27D, 28-O, 20-P, 29-B, and 29B-6. This finding is made without any regard to any commercial success which plaintiff’s tuners have attained.” [225]

“20. The structure of defendant’s model, Exhibit M, is not a correct or true representation of the combined teachings of the Marshalk patent 2,072,897 and the Schaefer patent 1,906,106, but was made after hindsight had shown the advantages of providing such a structure. Such a structure could not be arrived at by an ordinary mechanic skilled in the art prior to plaintiff’s invention covered by claims 7, 8, 9, 10 and 11 of the reissue patent in suit.”

“26. The infringing tuners sold by defendant are exemplified generally by the defendant’s exhibits G and H. These infringing devices were manufactured respectively by Radio Condenser Company and General Instrument Corporation, which are the joint plaintiffs in an action now pending in the District Court of the United States, Southern District of California, Central Division, and entitled: Radio Condenser Company and General Instrument Corporation v. LeRoy J. Leishman, No. 4395 B. H.”

Exhibit M, referred to in Finding 20, *supra*, was one of the two specially constructed models furnished to counsel for the defendant in the Oklahoma action by the plaintiffs in the present action.

XIII.

Defendant alleges that by participating in the defense and control of said action in the Western District of Oklahoma, the plaintiffs herein are bound by the outcome of that suit; and accordingly they are not entitled to any declaratory relief or any relief whatever, since the devices held to be infringements of said claims 7, 8, 9, 10 and 11 of reissue patent No. Re. 20,827 in said action in the [226] Western District of Oklahoma are identical with those specified in paragraphs 4 and 6 of plaintiffs’ complaint herein, and were of plaintiffs’ manufacture.

PRAYER

In addition to the prayers for relief in defendant's original counterclaim and defendant's first supplemental counterclaim, the defendant further prays that the court adjudge that the plaintiffs are bound by the decision of the U. S. District Court for the Western District of Oklahoma in the case of LeRoy J. Leishman v. The Richards and Conover Company, Civil Action No. 2155.

LeROY J. LEISHMAN,
Defendant.

Dated, Los Angeles, California, July, 1946.

(Affidavit of Service by Mail.) [227]

[Title of District Court and Cause.]

FINDINGS OF FACT AND CONCLUSIONS
OF LAW

This cause having come on for hearing on plaintiffs' motion for summary judgment that plaintiffs' Radio Condenser Company Model 28 tuner and plaintiffs' General Instrument Corporation Model 31 tuner do not infringe Claims 7, 8, 9, 10 or 11 of United States Reissue Letters Patent No. 20,827; and the Court having considered the pleadings and files in the action, the admissions of defendant, plaintiffs' affidavits in support of said motion and defendant's affidavits in opposition thereto, the exhibits filed on behalf of plaintiffs and defendant, and

having heard the oral arguments of the respective parties,

Now, Therefore, the Court, pursuant to Rule 52 of the Rules of Civil Procedure, makes the following Findings of Fact and Conclusions of Law: [228]

FINDINGS OF FACT

1.

Plaintiff, Radio Condenser Company, is a New Jersey corporation having its principal place of business at Thorne and Copewood Streets, in the City and County of Camden and State of New Jersey.

2.

Plaintiff, General Instrument Corporation, is a New Jersey corporation having its principal place of business at 829 Newark Avenue, in the City of Elizabeth and State of New Jersey.

3.

Defendant, LeRoy J. Leishman, is a citizen of the State of California and resides in the City of Los Angeles, California, and is the owner of United States Reissue Letters Patent No. Re. 20,827.

4.

Plaintiffs are manufacturers of radio condensers and tuners which are sold by plaintiffs to radio set manufacturers throughout the United States and which condensers and tuners are installed and em-

bodied by such radio set manufacturers in radio sets sold by them to distributors throughout the United States.

5.

Prior to the filing of the complaint in this action, defendant notified plaintiffs, in the year 1938, and each of said plaintiffs, of their alleged infringement of said United States Reissue Letters Patent No. Re. 20,827 by the manufacture, use, and sale of radio condensers and tuners.

6.

No action was commenced by the defendant against the plaintiffs, or either thereof, for their alleged infringement of defendant's United States Reissue Letters Patent No. Re. 20,827 [229] by the manufacture, use, or sale of radio condensers and tuners.

7.

Galvin Manufacturing Corporation, of Chicago, Illinois, a corporation of Illinois, purchased radio condensers and tuners from each of the plaintiffs and installed or embodied the same in radio receiving sets, which sets it sold to its distributors.

8.

The Richards and Conover Company, a corporation of Missouri, having a place of business in the City of Oklahoma City, State of Oklahoma, is a distributor of the said Galvin Manufacturing Corporation and purchased, sold, and distributed radio

sets in which were installed or embodied the said radio condensers and tuners manufactured and sold by each of the plaintiffs.

9.

Prior to the filing of the instant action, defendant filed an action against the aforesaid distributor, The Richards and Conover Company, in the United States District Court for the Western District of Oklahoma, Civil Action No. 2155, charging infringement of said Reissue Letters Patent No. Re. 20,827, and particularly Claims 7, 8, 9, 10 and 11 thereof, by reason of the selling or causing to be sold and using or causing to be used by the said The Richards and Conover Company, within said suit district, of certain radio receiving sets, referred to in the complaint of said suit as Motorola sets, of which Models 25F, 26C, 26C-7, 27D, 28-O, 30-F, 29B, 29B-6 are typical examples.

10.

Certain of the aforesaid recited Motorola radio receiving sets embodied or had installed therein radio condensers and tuners known as Radio Condenser Company Model 28 tuners, which were manufactured by the plaintiff, Radio Condenser Company, and sold [230] by it to the said Galvin Manufacturing Corporation.

11.

General Instrument Corporation Model 31 tuners, manufactured by the Plaintiff, General Instrument Corporation, and sold by it to the said Gal-

vin Manufacturing Corporation, are in all respects substantially the same as said Radio Condenser Company Model 28 tuners.

12.

One of the Radio Condenser Company Model 28 tuners and one of the General Instrument Corporation Model 31 tuners have been filed with the Complaint in the instant action, identified as Plaintiff's Exhibits 2 and 4, respectively.

13.

Drawings of the Radio Condenser Company Model 28 tuner and the General Instrument Corporation Model 31 tuner have been filed with the Complaint in the instant action, identified as Plaintiffs' Exhibits 1 and 3, respectively.

14.

United States Reissue Letters Patent No. Re. 20,827 relates to a device which operates to tune a radio circuit upon the manual depression of a lever which causes a radio condenser shaft to assume a predetermined position.

15.

Claims 7, 8, 9, 10 and 11 of such patent are involved in this action.

16.

Radio Condenser Company Model 28 tuner and General Instrument Corporation Model 31 tuner are

devices which operate to tune a radio circuit upon the translation of a push-button or plunger which causes a radio condenser shaft to assume a predetermined position, and are in all material respects substantially the same. [231]

17.

In the case of *Leishman v. Associated Wholesale Electric Co.*, reported in 137 F. 2nd 722, the Circuit Court of Appeals for the Ninth Circuit held that Claims 7 to 11, inclusive, of Reissue Letters Patent No. Re. 20,827 were not infringed by a device admittedly substantially the same as Radio Condenser Company Model 28 tuner and General Instrument Corporation Model 31 tuner.

18.

No evidence has been presented to the court by defendant which could in any manner change or affect the ruling of the Circuit Court of Appeals in the aforesaid case that plungers and levers in the alleged patented combination do not function in the same way, or in substantially the same way, and are therefore not equivalents.

19.

There is no genuine issue as to any material fact and no controversial question of fact to be determined at a trial respecting the issue of infringement of Claims 7 to 11, inclusive, of Reissue Letters Patent No. Re. 20,827 by plaintiffs' Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner.

CONCLUSIONS OF LAW

1.

An actual controversy exists between the parties to the instant action.

2.

The court has jurisdiction of the subject matter and parties.

3.

No genuine issue as to any material fact exists in the [232] instant case respecting infringement by plaintiffs' manufacture, use, or sale of radio tuners.

4.

Plaintiffs' Radio Condenser Company Model 28 tuner and plaintiffs' General Instrument Corporation Model 31 tuner do not infringe Claims 7, 8, 9, 10 or 11 of United States Reissue Letters Patent No. Re. 20,827.

5.

Plaintiffs are entitled to a judgment:

(a) That plaintiffs have not infringed Reissue Letters Patent No. Re. 20,827, particularly Claims 7 to 11, inclusive, thereof, by the manufacture, use, or sale of condensers and tuners as exemplified by Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner;

(b) Enjoining and restraining defendant, his attorneys, agents, servants, employees, associates, and confederates from asserting, contending, claiming, or alleging that Reissue Letters Patent No. Re.

20,827 has been or is being infringed by plaintiffs, or either of them, or by the condensers and tuners manufactured, used, or sold as exemplified by Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner;

(c) Enjoining and restraining defendant, his attorneys, agents, servants, employees, associates, and confederates from asserting, contending, claiming, or alleging that the use and sale of condensers and tuners manufactured by plaintiffs, as exemplified by Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner, has been or is an infringement of Reissue Letters Patent No. Re. 20,827, particularly Claims 7, 8, 9, 10 or 11 thereof;

(d) Enjoining and restraining defendant, his attorneys, agents, servants, employees, associates, and confederates from prosecuting any action in law or equity in which condensers and [233] tuners manufactured by plaintiffs, as exemplified by Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner, are asserted to have been or are an infringement of Reissue Letters Patent No. Re. 20,827, particularly Claims 7, 8, 9, 10 or 11 thereof; and

(e) For their costs in this action.

Dated this 30th day of August, 1946.

[Seal] /s/ C. E. BEAUMONT,
 Judge. [234]

[Affidavit of Service by Mail.]

[Endorsed]: Filed Aug. 30, 1946. [235]

In the United States District Court, Southern
District of California, Central Division

No. 4395-B—Civil

RADIO CONDENSER COMPANY and GEN-
ERAL INSTRUMENT CORPORATION,
Plaintiffs,

vs.

LeROY J. LEISHMAN,

Defendant.

JUDGMENT

This cause having come on to be heard on plaintiffs' motion for summary judgment that Claims 7 to 11, inclusive, of Reissue Letters Patent No. Re. 20,827 are not infringed by the manufacture, use, or sale of condensers and tuners, as exemplified by Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner; and the court having made and entered its Findings of Fact and Conclusions of Law and found that there is no genuine issue as to any material fact respecting infringement by the plaintiffs' said tuners, and having concluded that plaintiffs are entitled to judgment as a matter of law;

It Is Hereby Ordered, Adjudged and Decreed as follows: [236]

1. That the plaintiffs have not infringed United States Reissue Letters Patent No. Re. 20,827, par-

ticularly Claims 7 to 11, inclusive, thereof, by the manufacture, use, or sale of condensers and tuners as exemplified by Radio Condenser Company Model 28 tuner, filed with the complaint in this action as Plaintiffs' Exhibit 1, or General Instrument Corporation Model 31 tuner, filed with the complaint in this action as Plaintiffs' Exhibit 3;

2. That defendant, LeRoy J. Leishman, his attorneys, agents, servants, employees, associates, and confederates be and they are hereby enjoined and restrained from asserting, contending, claiming, or alleging that said Reissue Letters Patent No. Re. 20,827 has been or is being infringed by the plaintiffs, or either of them, or by the condensers and tuners manufactured, used, or sold by the plaintiffs, or either of them, as exemplified by Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner;

3. That said defendant, LeRoy J. Leishman, his attorneys, agents, servants, employees, associates, and confederates be and they are hereby enjoined and restrained from asserting, contending, claiming, or alleging that the use or sale of condensers and tuners manufactured by plaintiffs, or either of them, as exemplified by Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner, has been or is an infringement of Reissue Letters Patent No. Re. 20,827, particularly Claims 7, 8, 9, 10 or 11 thereof;

4. That said defendant, LeRoy J. Leishman, his attorneys, agents, servants, employees, associates,

and confederates be and they are hereby enjoined and restrained from prosecuting any action in law or equity in which condensers and tuners manufactured by plaintiffs, or either of them, as exemplified by Radio Condenser Company Model 28 tuner or General Instrument Corporation [237] Model 31 tuner, are asserted to have been or to be an infringement of Reissue Letters Patent No. Re. 20,827, particularly Claims 7, 8, 9, 10 or 11 thereof;

5. That a writ of injunction issue forthwith against the defendant, LeRoy J. Leishman, his attorneys, agents, servants, employees, associates, and confederates, in accordance with paragraphs 2, 3, and 4 hereof; and

6. That plaintiffs have and recover from defendant their costs in this action, the taxation of such costs to await the entry of judgment on the defendant's counterclaims herein.

Dated this 30th day of August, 1946.

[Seal] /s/ C. E. BEAUMONT,
Judge. [238]

[Affidavit of service by mail.]

[Endorsed]: Filed Sept. 12, 1946. [239]

[Title of District Court and Cause.]

NOTICE BY CLERK OF ENTRY OF
JUDGMENT

You are hereby notified that Judgment has been entered this day in the above-entitled case, in Civil Order Book No. 39, page 656.

Dated Los Angeles, California, Sept. 12, 1946.

EDMUND L. SMITH,
Clerk.

By R. B. CLIFTON,
Deputy Clerk.

Mailed 9/13/46. [241]

[Title of District Court and Cause.]

ORDER EXTENDING TIME IN WHICH TO
FILE MOTION UNDER RULE 52(b)

For good cause shown, and as provided in Rule 6(b) of the Rules of Civil Procedure, the defendant is hereby given up to and including October 16, 1946, to file a motion under Rule 52(b) to amend the findings, conclusions of law and judgment.

C. E. BEAUMONT,
United States District Judge.

Dated, Los Angeles, California, September 16, 1946.

[Endorsed]: Filed Sept. 17, 1946. [242]

[Title of District Court and Cause.]

WRIT OF INJUNCTION

The President of the United States of America, to
LeRoy J. Leishman, his attorneys, agents, servants,
employees, associates and confederates:
Greeting:

Whereas said Radio Condenser Company and said General Instrument Corporation have filed in the above-entitled court their complaint against said LeRoy J. Leishman for a Declaratory Judgment that United States Reissue Letters Patent No. 20,827 were not infringed by the plaintiffs or either of them; that said Letters Patent is invalid and void and for an injunction enjoining said LeRoy J. Leishman, his attorneys, agents, servants, employees, associates and confederates from further asserting, contending, claiming or alleging that said Reissue Letters Patent No. 20,827, or any claim thereof, has been infringed by [243] the plaintiffs, or either of them, or by radio condensers or tuners which were manufactured and sold by the plaintiffs, or either of them, or installed in radio receiving sets by any of their customers; and

Whereas, on the 12th day of September, 1946, a Final Judgment was made in the above-entitled action decreeing and adjudging that the plaintiffs have not infringed Reissue Letters Patent No. 20,827, particularly claims 7 to 11, inclusive, thereof, by the manufacture, use, or sale of condensers and tuners as exemplified by Radio Condenser Com-

pany Model 28 tuner, filed with the Complaint in the above-entitled action as Plaintiffs' Exhibit 1, or General Instrument Corporation model 31 tuner, filed with the Complaint in the above-entitled action as Plaintiffs' Exhibit 3 and that an injunction issue out of and under the seal of this court permanently enjoining and restraining said LeRoy J. Leishman as set forth in said Judgment.

Now, Therefore, we do strictly command and enjoin you, the said LeRoy J. Leishman, your attorneys, agents, servants, employees, associates, and confederates, and each of you from:

1. Asserting, contending, claiming, or alleging that said Reissue Letters Patent No. Re. 20,827 has been or is being infringed by the plaintiffs, or either of them, or by the condensers and tuners manufactured, used, or sold by the plaintiffs, or either of them, as exemplified by Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner;

2. Asserting, contending, claiming, or alleging that the use or sale of condensers and tuners manufactured by plaintiffs, or either of them, as exemplified by Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner, has been or is an infringement of Reissue Letters Patent No. Re. 20,827, particularly Claims 7, 8, 9, 10 or 11 thereof;

3. Prosecuting any action in law or equity in which [244] condensers and tuners manufactured

by plaintiffs, or either of them, as exemplified by Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner, are asserted to have been or to be an infringement of Reissue Letters Patent No. Re. 20,827, particularly Claims 7, 8, 9, 10 or 11 thereof.

Whereof, Fail Not in penalty of the laws thence ensuing.

Witness the Honorable C. E. Beaumont, Judge of the District Court of the United States this day of September, 1946, and in the One Hundred and Seventy-first year of the Independence of the United States of America.

[Seal]

EDMUND L. SMITH,
Clerk.

E. M. ENSTROM, JR.,
Deputy Clerk.

[Affidavit of Return on service of writ attached.]

[Endorsed]: Filed Sept. 18, 1946. [245]

[Title of District Court and Cause.]

MOTION UNDER RULE 52(b)

Now comes the defendant, LeRoy J. Leishman, and moves under the provisions of Rule 52(b) of the Rules of Civil Procedure that this Honorable Court strike out the present findings, conclusions and judgment and substitute the attached set of

proposed findings, conclusions and judgment in their stead.

In the event that this Honorable Court for any reason should not make the substitution above requested, the defendant moves under the provisions of the said Rule 52(b) that the judgment and the injunction be amended as hereinafter specified:

That paragraph 2 and 3 of the judgment be stricken out;

That paragraph 4 of the judgment be amended by adding [247] the following sentence: "This paragraph shall not be construed to mean that the defendant is enjoined from any proceedings connected with, or resulting from, the present action or the case of LeRoy J. Leishman vs. The Richards and Conover Company, Civil Action No. 2155, in the United States District Court for the Western District of Oklahoma; and the defendant is not enjoined from proceedings against the Galvin Manufacturing Company, which admittedly defended the Oklahoma suit, and which is bound thereby according to the findings therein."

That paragraphs 1 and 2 of the injunction (lines 20 to 31, page 2) be stricken out; and

That paragraph 3 of the injunction be amended by adding the same sentence requested to be added to paragraph 4 of the judgment.

/s/ LeROY J. LEISHMAN,
Defendant.

Dated, Los Angeles, Calif., October 16, 1946.

NOTICE OF HEARING

Notice is hereby given that the defendant will call up defendant's Motion under Rule 52(b) for hearing in the courtroom of the Honorable Judge Beaumont on October 28, 1946, at 10 a.m., or as soon thereafter as the defendant and counsel for the plaintiffs may be heard.

LeROY J. LEISHMAN.

Dated, Los Angeles, Calif., October 16, 1946.

[Endorsed]: Filed Oct. 16, 1946. [248]

[Title of District Court and Cause.]

AFFIDAVIT AND CERTIFICATION

State of California,
County of Los Angeles—ss.

LeRoy J. Leishman, being duly sworn, deposes and says:

That he attended the trial of the suit of LeRoy J. Leishman vs. The Richards and Conover Company, Civil Action No. 2155, in the United States District Court for the Western District of Oklahoma, held on April 29, April 30, and May 1, 1946; that Defendant's Exhibit 17, filed herewith, is a photostatic copy of portions of the official court reporter's transcript of the trial of the said suit; and that the said portions of [249] the transcript constitute an accurate record of those parts of the proceedings, excepting for obvious stenographic errors.

/s/ LeROY J. LEISHMAN.

Subscribed and sworn to before me this 16th day of October, 1946.

BEATRICE BURGER,

Notary Public in and for the County of Los Angeles,
State of California.

My Commission Expires March 25, 1950. [250]

DEFENDANT'S EXHIBIT 17

The Court: You are satisfied these are the patents?

Mr. Flam: If Mr. Mueller says they are copies we will agree.

The Court: 827 is the reissue.

Mr. Mueller: I might just tell your honor that the original of the patent which was reissued is also in there for your information. You see, as Mr. Flam pointed out, they had this patent, 2108538, and then under the reissue statute, which he explained to you, they reissued it into that patent, so for your information, both copies are in court. Now again, to save time, and help you on your request of April third, and again today, that you be kept well informed as we go along, I would like to adopt the procedure of offering in evidence quite a number of the defendant's exhibits, and I am doing that rather than merely marking them because some of them I think Mr. Flam will permit to be introduced, and if he has any objection possibly we can help you to straighten it out more quickly right away. It will amount to a stipulation in the beginning and give

you the benefit of the record, so I will run right down through these if I may.

Defendant's Exhibit E is a booklet of prior patents set up in the defendant's answer. This conforms with the answer and they are all clean copies. I will offer that in evidence. [251]

Mr. Flam: I presume those are the patents that have been cited in both answers.

Mr. Mueller: Yes, Exhibit E contains the prior art patents against the reissued patent set up in the original answer.

Defendant's Exhibit F, which I will offer in evidence now, is all of the prior art set up in the original answer and in the amendment to the answer.

Mr. Flam: All of them are included that are in the answer?

Mr. Mueller: Yes.

The Court: What is Exhibit F?

Mr. Mueller: Exhibit F contains the prior art patents against 282 patents.

Mr. Flam: Are they offered in evidence?

Mr. Mueller: They are offered in evidence.

Mr. Flam: No objection.

Mr. Mueller: I will also offer in evidence Defendant's Exhibit G, which is a model of the tuner, Model 28, manufactured by Radio Condenser Company and sold to Galvin, and incorporated in some of the radio sets in suit.

Mr. Flam: May I make this amendment? Exhibit G is an exemplary of the tuner mechanism and

the sets that have been set up in plaintiff's complaint as the accused sets?

Mr. Mueller: Yes, sir. [252]

Mr. Flam: Except possibly a variation in the number of actual push button devices.

Mr. Mueller: That is satisfactory. It is unimportant to the issues in the case.

Mr. Flam: I presume as to the next one the same understanding can apply?

Mr. Mueller: Yes. I offer Defendant's Exhibit H in evidence.

The Court: H is a General Instrument device?

Mr. Mueller: H is General Instrument. The, Defendant's Exhibit I, which I offer in evidence, is one of the Crosley tuners and is an exemplar of the Crosley tuner which was in the Associated Wholesale case in California. That does not have a condenser on it, but as I explained, that just happens to be that way. The plaintiff has already in evidence drawings, I believe they are his Exhibits 1 and 3, that correspond with Defendant's Exhibits G and H. I am going to offer in evidence a third drawing, Defendant's Exhibit J which is prepared in the same manner as Plaintiff's Exhibits 1 and 2 and corresponds to the Crosley tuner, Defendant's Exhibit I.

The Court: Let me understand that. 1 and 3 of his are the same as G and H of yours?

Mr. Mueller: Yes.

The Court: What is the same as your I?

Mr. Mueller: Defendant's Exhibit J is the same as [253] Defendant's Exhibit I.

The Court: You mean Plaintiff's Exhibit J?

Mr. Mueller: No, defendant's. The drawing, J, is the same as the physical model, I. I am offering in evidence Defendant's Exhibit K, a model of a Zenith radio tuner, a tuner manufactured by the Zenith Radio Corporation of Chicago, and it corresponds to the structure of the Schaefer patent.

The Court: What is the Schaefer patent? This is the first time I have heard of it.

Mr. Mueller: The Schaefer patent is one of the prior art set up against the 20827, the reissued patent, and the Schaefer patent 1906 is owned by the Zenith Radio Corporation. This is a tuner, which, for all practical purposes, was put out under that patent.

The Court: If, as you contend, these patents here are invalid because of prior ones, would not this be an infringement on this?

Mr. Mueller: No, because there were no claims in the Schaefer patent, so far as I know, that are infringed by any of these three sets, Defendant's Models, I, G, and H. I might say practically all radio manufacturers are licensed to use the Schaefer patent through a patent of the RCA Hazelton Corporation. Infringement, so far as Galvin is concerned, will not come up on the Schaefer [254] patent, because we are already licensed under it. Zenith made arrangements with Hazelton to make RCA years ago, so there will never be a question on that particular one.

I also offer in evidence Defendant's Exhibit L. This is an exemplar, as Mr. Flam calls it, of a

portion of the Marschalk patent, No. 2072897, which is in our prior art against the reissued patent. It corresponds to Figure 14 of Sheet 3 of the drawings. I might also explain here—Mr. Flam can point out any objection he has—Figure 14 of the Marschal patent shows the lever being operated by an electric solenoid. We have no facilities for it, that is, that electric solenoid, so we have merely put a finger button on, and it can be operated by the hand in exactly the fashion that lever can.

Mr. Flam: I wish to reserve any objection I may desire to make to this model, or the introduction of it in evidence, when the case proceeds. I want that understood in connection with all of these exhibits that have been introduced. I don't think I will have any but I am not sure.

The Court: This Zenith, what patent does that refer to?

Mr. Mueller: Schaefer Patent 1906.

The Court: Exhibit K.

Mr. Mueller: Exhibit K. For the purpose of this suit and an explanation as illustrative of the defendant's position on invalidity, we have a model, Defendant's Exhibit [255] M, which combines, as we will later show, a lever out of the Marschalk patent, a lever out of the Schaefer patent, 1906106, and a rocker or rotary treadle out of Marschalk patent, 20772897. Mr. Flam may want to observe objection. I can understand that, and we will elaborate on that. This is introduced at this time for your assistance; that is all. I will go in to that in presenting the defendant's case.

Mr. Flam: We would urge that it is not a proper combination of the two patents.

Mr. Mueller: The next model, and I offer this in evidence as Defendant's Exhibit N. This is a Motorola radio set, Model 19-B, which was specified in the bill of complaint. This is one of the models which is alleged to infringe the 282 patent. We have been talking about the reissue up to now. This is alleged to infringe the 282 patent, and this is Defendant's Exhibit N. The housing is off; otherwise, it would be an auto radio set much as you have in your car, for operating purposes, at least.

Mr. Flam: In that connection, of course, we can stipulate that set has the number of push buttons and so on; the fundamental elements for taking the play out of the gear would be the same in all the accused models that have been accused of being infringements.

Mr. Mueller: Those that have it. Some of them don't have it. I sent those out here but they haven't arrived. [256] Some of the models accused to infringe do not have the anti back lash of this model.

Mr. Flam: Attention may also be called to the fact that back lash operates on this model.

Mr. Mueller: That is purely a matter of opinion. I am sure it will work very well just as it is. Nothing has been done to it. It is exactly the way it was taken out of the store. If you feel it is not in proper shape, of course, that is your opinion and perfectly all right.

Mr. Leishman: It is not working right because the spring is not pulling the gear back.

Mr. Mueller: If you want to fix it all right. I can assure you there is no intention of taking any advantage.

Mr. Flam: I am not accusing any one. I merely wanted the Court to understand.

The Court: This little thing here is 282?

Mr. Mueller: Yes, sir.

Mr. Flam: The mechanism relating to that advice for taking back lash out of gear in connection with the tuning device.

The Court: Were these same gears here before the mechanism here was used? Do you know what I mean by that?

Mr. Mueller: Gear trains have been used for years.

The Court: And were used on these sets?

Mr. Mueller: Here is the way it works out. Every model, and we used to come out with two different lines [257] each year, and each model is laid out somewhat different mechanically so you can't draw comparisons without having something right before you. This would serve as an example of the tuning and gear train mechanism on the sets identified in the bill of complaint relative to the 282 patent, but they might each one be different, as you will see, when those show up from the express company.

The Court: I think a search should be made for them.

Mr. Mueller: I am going to do that at noon.

The Court: If we don't get them I understand there is plenty of evidence here.

Mr. Mueller: I am particularly concerned because they are the only models at Galvin. We have no others that will show up in the future just what this mechanism is, so I am very concerned about them.

The Court: Does that complete your statement?

Mr. Mueller: I might just state on this question of back lash Mr. Flam referred to in his opening statement. It is our position that taking out back lash with a train of gears is merely a common expedient which the draftsmen of any radio concern are fully familiar with, and they use various means, and we take the position that what we have in this set is not an infringement of the 282 patent. We will show you that, but assuming for the purposes of argument you hold claims 7 and 11 in the 282 patent infringed, [258] we contend and urgently submit that they are invalid as representing nothing more than the ordinary mechanical work of a draftsman.

The Court: Nothing novel about it?

Mr. Mueller: Nothing novel or arising to an inventive degree. As I say, I would like to reserve a few minutes of my opening statement to help you, if it is necessary, before putting in the defense after Mr. Flam has put in his case.

LeROY J. LEISHMAN

the plaintiff, being duly sworn, testified as follows:

Direct Examination

By Mr. Flam:

Q. Mr. Leishman, are you the plaintiff in this action? A. Yes, sir, I am.

Q. What is your age? A. 50.

Q. What is your occupation?

A. I am an engineer.

Q. What kind of an engineer?

A. Well, I have done work as a mechanical engineer; radio engineer and electrical engineer.

Q. When did you first become interested in the subject of radio? [259]

PROCEEDINGS

May 1, 1946, 8:30 o'Clock a.m.

M. F. SPOTTS

called as a witness on behalf of the defendant, out of the regular order by agreement, being duly sworn, testified as follows:

Direct Examination

By Mr. Mueller:

Q. You may state your name for the record.

A. M. F. Spotts.

Q. Please state your age and residence.

A. My age is 50. Resident, Evanston, Illinois.

Q. What is your present occupation, and will you also state your academic background?

A. I am an associate professor of machine design at Northwestern University, Evanston, Illinois. I graduated in mechanical engineering at Ohio Northern University in 1923; received a Master of Arts degree at Ohio University in 1933, and a Doctor of Philosophy degree from the University of Michigan in 1938.

Q. Did you do some teaching during that period?

A. I taught two years at the University of Michigan part time while a student. From 1938 to 1941 I was a teacher at Johns Hopkins University, Baltimore, Maryland. From 1941 to the present date I have been at Northwestern.

Q. What commercial experience have you had in mechanical designing and engineering, and please name some of the [260] companies and the dates of your activities.

A. Before becoming a teacher I worked five years for the Brown Steel Company, Columbus, Ohio, 1927 to '32. I worked two years for the Jeffry Manufacturing Company, Columbus, Ohio, '33 to '35.

Q. You might just mention your last occupations?

A. Since starting to teach I have done rather wide consulting work for various industrial firms.

Q. Are you consultant for the Galvin Manufacturing Company in Chicago? A. I am.

Q. How long have you been such consultant and what are your general duties?

A. I have been with Galvin in this capacity for about three and a half years. My general duties are to assist the engineering, designing and research

departments in the development of their products. I work mostly with the engineers assisting in designs and helping to improve them; making the operation of the devices better and getting the designs in condition for the most economical commercial production.

Q. What are those products with which you have been working in general?

A. Radio equipment in general and the development of a gasoline burning automobile heater which is being developed; I also have worked some on the development of an automatic washing machine.

Q. Has the major part of your activity, however, been confined to radio equipment at Galvin's?

A. The major portion has been.

Q. In your work as engineer and as a mechanical designing consultant have you come in contact with draftsmen and designers who do the lay out work, over the years?

A. I have known many draftsmen during the last 15 years.

Q. Are you acquainted with the subject of tuning radios and with the mechanism used for accomplishing the tuning?

A. I understand the usual mechanism for that purpose.

Q. Are you familiar with patent drawings and patent specifications from a technical standpoint?

A. I have examined many patent drawings and have read the specifications for them.

Q. Have you ever testified as a witness in patent infringement cases or in any other litigation?

A. This is my first experience as a witness.

Q. Have you studied the Leishman patent, Reissue 20827, Marschalk 2072897 and Schaefer 1906106, and are you familiar with the drawings and specifications of those patents?

A. I have studied those drawings.

Q. Have you studied the specifications too?

A. Yes, sir.

Q. Have you seen the model, Defendant's Exhibit L and have [262] you compared it with Figure 14 of the Marschalk patent?

A. I have.

Q. Have you seen the model, Defendant's Exhibit K?

A. I have.

Q. And compared it with drawings in the Schaefer patent?

A. I have.

Q. Referring to this chart, which I have marked for identification, Defendant's Exhibit Y, you will see that Figure 2 of the Leishman reissue patent is enlarged and Figure 4 of the Schaefer patent is also enlarged on this chart. Is there any comparison in operation and function which you can make between the arms 48, colored green in Leishman and the arms, 32 and 34, colored green, in Schaefer as they operate with their respective tappets colored yellow?

A. Arms 48 of Figure 2 of Leishman and Plates 32 and 34 of Schaefer perform the same function so far as the tuning of a radio is concerned.

Q. What function do they perform so far as

setting up the tappet colored yellow and the tappet colored yellow in Figure 4 of Schaefer?

A. They serve the purpose of positioning the tappet at the time of adjustment of the mechanism.

Q. Can you make any comparison between the movement of the arms 48 in Leishman and the arms, 32 and 34 of [263] Schaefer with respect to the two tappets colored yellow in a setting operation for the tappets?

A. The movement of arms 48 and plates 32 and 34 serve to position the tappet. The vertical motion positions the ends of the tappet arms in adjusting the tappet.

Q. Is it the vertical motion of the two moveable portions, the arms 32 and 34 in Schaefer and 48 in Leishman?

A. It is the vertical movement which determines the positioning of the tappet.

Q. Is there a rotary movement in Leishman?

A. Because of the manner in which the Leishman arms 48 are mounted there is a rotary motion in addition to the vertical.

Q. The word coaxial has been used to describe the relation of the center for Leishman's tappet 61 and the center of his rocker 48. Do you find coaxiality present in the Schaefer structure, the Figure 4?

A. In effect there is coaxiality present. The axis, however, in the Schaefer may lie in the air, an imaginary line through the space between plates 32 and 34, and is not included in the physical embodiment but it is present.

Q. What is the relation between a line through the contact points of the tappet 56 of Schaefer and the arms 32 and 34 relative to the center 55 for the tappet 56?

A. A line through the center, 55, passes through the end points of the tappet 58 of the Schaefer mechanism and is so stated in the description of the apparatus.

Q. In the movement of the tappet 56 of Schaefer, as the arms 32 and 34 are moved, what happens to that line?

A. The angular position of the line would be changed as the plated 32 and 34 move backward and downward.

Q. Would that line have a center in this movement?

A. Yes, the line radiates about the center, 55.

Q. Is the principle and structure of coaxiality known or an unknown condition in mechanical design?

A. It is much used in mechanical devices.

Q. That is, there is nothing obscure about the principle and structure of coaxiality?

A. No. It is a well known and widely used principle; has been known a long time.

Q. I hand you a model, Plaintiff's Exhibit 30, which the plaintiff has stated corresponds to the structure of his reissue patent. Is there any necessity in the structure of the Leishman reissue patent for maintaining coaxiality of the parts, and will you explain your answer with reference to the models so the Court can understand?

A. In the Leishman patent where there are two tuning operations performed simultaneously, it is necessary that the pivots of rotation for both of the rockers be coaxial.

Q. Will you please point out those rockers?

A. The two rockers, being the one I am now holding, and the other one being the inner one which I am now holding, are tuned by coming in contact with the tappet when the lever is pushed. Each rocker is moved to a position in the usual way of such devices. It is when we combine two of them in a single device that it is necessary that the pivots for both of them lie on the same line, so that the axis of each coincides with the axis of the other. If you should make a scale drawing of the device you would see if that were not so that by the time one pair of points would come in tact with its rocker that the other two would not touch simultaneously. It would only touch on one side and leave a gap on the other, depending on the structure of your parts, so they would bind and it would be impossible to bring them into contact.

Q. In other words, in the Leishman structure of the reissue patent, is it necessary to have coaxiality of the two rockers which you have just shown to the court, and the two tappet parts on the lever in order to operate the device?

A. For the operation of the tuner it is so necessary.

Q. Can you make any comparison in operation and function between the two sides colored green,

for the rocker 34 of Marschalk on that chart, Exhibit Y, and the two arms, colored green, rocker 48, on Figure 2 of the Leishman patent? [266]

A. These aforementioned parts perform the same function in the tuning mechanism.

Q. What is that function? Explain the operation of those parts.

A. The function of rocker 34 of Marschalk and rocker 48 of Leishman is to rotate the condenser on a radio set and thus achieve tuning.

Q. In rotating the condenser on a radio set, what comparison can you make in the operation of the rocker itself, in the two devices?

A. The motion in the two devices is exactly the same. It is merely a rotation but it is pivoted.

Q. Will you kindly refer to Defendant's model, Exhibit M, which I hand you, and state whether that model corresponds with the lever in the Schaefer patent?

A. The lever in Exhibit M is substantially the same as lever 51 of Figure 4 in Schaefer.

Q. Will you kindly compare the treadle or rocker of this model, Defendant's Exhibit M, with the treadle or rocker 34, colored green in Figure 14 of Marschalk?

Mr. Flam: You may remember that when this model was offered in evidence I reserved objections to it. I want to reiterate that because it is quite obvious this model is supposed to represent a combination of elements which were taken from Marschalk, allegedly taken, which we deny. The lever mechanism itself is apparently a good deal [267]

like the Schaefer lever, but authorities, which I shall refer to here in a moment, say that the elements of a combination may be old. It is the combination of old elements that produce a different result which makes an invention. Now that model, especially the rocker——

Mr. Mueller: If you will wait until I examine the witness I think those things will be covered. We have not offered it in evidence. I will bring out all the objections. We are not attempting to mislead the court.

Mr. Flam: We have no argument about whether this witness will testify truthfully or not. I am quite sure he will. The main point of my objection is that if this witness now says that it is not a proper representation, or proper combination of these two showings, then right now there is no pertinence to his testimony.

Mr. Mueller: I don't quite understand that. I think it is perfectly proper to combine references in any way one wishes. I have never found any law to the contrary. It is done every day in the patent office and every day in the courts. The question is whether the combination, as a matter of law then anticipates and makes the alleged invention of the patent in suit an obvious combination and expedient. That is the question for the court to decide.

The Court: I think I understand. Mr. Flam, I will let you ask that question you asked, if there are representative parts of each one. [268]

Q. (By Mr. Flam): Doctor Spotts, the rocker now incorporated in the model, Exhibit M, that

rocker corresponds in structure to the rocker of the Marschalk patent, Figure 14?

A. It does in some respects. There are some differences.

Mr. Flam: I object to this line of testimony on the basis of that answer.

The Court: I will overrule the objection but I will take it into consideration. I think I understand the situation.

Mr. Mueller: This, your honor, as I explained, is for the purpose of illustration to help you, and we are not contending that it is an exact reproduction of the Marschalk treadle.

The Court: I understand. You may proceed.

Mr. Mueller: You will recall Mr. Leishman presented a number of charts where he made certain representations as to differences——

Mr. Flam: We didn't combine prior structures to suit our case.

The Court: I don't think I will be misled by it.

Mr. Flam: I am quite sure you will not, but I don't think that model is properly exhibitable in evidence. Your honor may receive it; possibly you should have the record complete, but I am quite sure, upon mature consideration, your honor will say there is no basis for that exhibit [269] in this case at all.

The Court: It is your contention here are some elements of one patent and another combined and it is admitted the parts here supposed to be representing one of the patents are not like the one on that patent.

Mr. Flam: They admit that.

The Court: I want to be sure what they are driving at. I am sure I will not be misled by it.

Q. (By Mr. Mueller): Doctor Spotts, will you please compare the treadle or rocker of this model, Defendant's Exhibit M, with the treadle or rocker 34 in Figure 14 of Marschalk and tell the court where it corresponds and where it differs?

A. The rocker of the model which I hold in my hand, Exhibit M, consists of a plate mounted by tappets at each end. The mounting of the plate is such that the upper surface apparently is exactly at the mid-point at the axis of the shafts by which it is mounted. A careful consideration of Figure 14 of Marschalk indicates that the upper surface of the plate is not quite on the center line. In addition, the plate on the model I hold in my hand has a square hole cut in the center of it. Those, apparently, are the chief points of difference.

Q. (By the Court): You mean the Marschalk doesn't have a hole?

A. No, sir. So far as we can learn from looking at the [270] drawing.

Mr. Flam: I would like to interpose a question regarding this model.

Q. (By Mr. Flam): Did you make that model or was it made under your supervision?

A. No. I didn't have anything to do with the making of the model.

Mr. Mueller: I might explain that I borrowed that model because I didn't have time to make up

representations myself. If I had been doing it I would have had other models, your honor.

The Court: You may proceed.

Mr. Mueller: I will be glad to tell where I got it. I borrowed it from counsel for the General Instrument Corporation because they had made up models and I was not able to engage the time of a mechanic to make them myself. These things, the same as papers, are handed back and forth between counsel.

Q. (By Mr. Mueller): Then, Doctor Spotts, can we say that in the model, Defendant's Exhibit M, the shaft has been moved one-half the thickness or shall we say the center of the shaft is one-half the thickness of the rocker or treadle in the model relative to the position of the shaft in the treadle or Figure 14 of Marschalk?

A. That is the conclusion we would draw by an examination of both the model and drawing. [271]

Q. In other words, it is just one-half the thickness away from what it is in the drawing?

A. That would seem to be the situation.

Q. What, in your opinion, do these differences, this removal of the shaft axis one-half the thickness of the plate, and the introduction of a hole in the treadle, represent from the mechanical design standpoint?

Mr. Flam: I think the question is so indefinite this witness might answer most anything. If it is desired to bring out that these are mere mechanical changes that a mechanic can make, then we are faced

with this problem: we don't know who instructed such a mechanic to make them, or in the first place, to instruct a mechanic to combine these two devices. I want to get this picture before your honor. The contention by the defendant apparently is this: That to arrive at Leishman you have to combine the teachings of Marschalk and of Schaefer and when you combine the teachings why you must perforce get at the plaintiffs' model. Now, supposing a mechanic is faced with that problem and some highly skilled engineer for an inventor says: "I want you to incorporate the lever of Schaefer with the rocker of Marschalk." Now the chances are he wouldn't know how to do it without further telling him: "Well, you put a hole in there." Well, of course, putting a hole in there doesn't amount to an invention, but it is that which must be done in the first place that [272] makes an invention.

Mr. Mueller: Doctor Spotts is here as an expert. We are giving the court the benefit of his testimony. He can accept it or reject it as he sees fit.

Mr. Flam: If your honor will hear me I think you will know the point I am driving at. If you face a mechanic with the task of combining these two devices, how does he know he should take the rocker of Marschalk rather than this up and down device of Schaefer. How does he know whether he should take the lever of Marschalk instead of the lever of Schaefer. There are two possible main combinations. He says: "Well, I have a choice there. I will take the lever of Marschalk and combine it with the up and down rocker of Schaefer or I will

take the lever of Schaefer and combine it with the rocker of Marschalk." You have at least those two major choices. Now here comes a witness who is going to say: "Well, of course, you can take the lever of Schaefer and you can take the rocker of Marschalk and you can combine them, and that involves the question of how it should be modified to appropriate the invention of this patentee.

The Court: You mean approximate?

Mr. Flam: To approximate or appropriate.

The Court: What do you mean by "appropriate?"

Mr. Flam: I don't like to use so harsh a word, but pirate the invention of the patentee. That is the question [273] this witness has been asked, taking the rocker from one thing and the lever from another and combining and making appropriate changes, and how it happens the same dimensions should be made in order to produce the same effects as in Leishman, and I raise the objection that is indefinite.

The Court: I understand what you have just said, and I am not going to be misled by it.

Mr. Mueller: We haven't expected you would.

The Court: I can see, without that explanation, that I could have been misled.

Mr. Mueller: I am glad he made the explanation, although we contend, of course, that such a combination is obvious, and of course, that is the purpose of having Doctor Spotts explain his position to you as an expert.

(Previous question read as follows: "What, in your opinion, do these differences, this removal of the shaft axis one-half the thickness of the plate, and the introduction of a hole in the treadle, represent from the mechanical design standpoint?")

Mr. Flam: Did your honor overrule the objection?

The Court: I think he can answer that.

A. (By the Witness): They would represent common sense in trying to combine the two elements together to get them to operate together; what one would have to do to get them to operate together.

Q. (By Mr. Mueller): Doctor Spotts, referring to Figure 4 on [274] the chart showing the Schaefer device, don't we have a manually operated lever in that case?

A. There is a manually operated lever in Figure 4 of Schaefer.

Q. Then if we were working on the problem of a mechanically operated tuner would it be proper to use the mechanically operated lever of Figure 4 of Schaefer?

Mr. Flam: I object to that as rather leading. In the first place, I don't know whether this expert testimony is the kind your honor would like any how. I would like to read from Corpus Juris, Page 350 on expert testimony. "It is for the judgment of the Court trying a patent case whether he needs the assistance of experts. In some districts certain rules

of court relating to the testimony of expert witnesses have been adopted for the purpose of confining experts to explanations which are helpful to the court in enabling it to understand the art. The opinion of an expert as to the construction of the patent in suit is not admissible." I grant this witness may properly testify and explain the prior art references, but when he encroaches on the province of the court in testifying whether it is proper or not to do this, that or the other, I don't think it is proper and I object on that ground.

The Court: Assuming I am the one to pass on whether or not it is obvious, how far could the testimony go, so I would know whether it was obvious or not, or am I limited [275] to just my sight or what?

Mr. Mueller: I could even refer to the record in the other case, and as the court pointed out, as I am sure you feel, that you can have the benefit of his testimony. You are acting as a judge and not a jury and you can accept or reject his opinion if you wish, and that is the purpose in patent cases.

The Court: That is the way I feel about it, and I would like to hear what this witness has to say and what his opinion is. It may be different from my opinion. I may disagree with him and I certainly reserve the right to, as to what is obvious and as to why things were done and so forth. I should think you could bring it out on cross-examination. The point is, he is not going to mislead me a bit. At least, I think he is not.

Mr. Flam: I am quite certain of that.

The Court: And I shall not hesitate to disagree with him because he is an expert, not that I think I am an expert, but I think I have enough common sense to tell whether or not his opinion is sound.

Mr. Flam: I think when you get through with this case you will be qualified as an expert.

The Court: I would like to know. If counsel did not ask him these questions I would, just to enlighten myself.

Mr. Flam: I wanted to make this objection of record. I want to get your remarks as well for everybody's purposes. [276]

The Court: And I would be glad to have your explanation as to what they are attempting to do in each instance, so I can be aware of what you contend they are trying to do, if they are trying to confuse or mislead me. They might be. I don't know.

Mr. Mueller: I hope you have no feeling to that effect. I couldn't present this thing more openly. Both Mr. Flam and I both credit you with intelligence in this matter, and the implausibility of the plaintiff's case seems to me, becomes quite apparent in their strenuous efforts to prevent that, which you can pass upon as any other man in your position can.

The Court: You may proceed. I want to hear what this man's opinion is about everything and I can assure the plaintiff that I shall not hesitate to disagree with him because he is an expert. I will disagree with him very freely unless I can see that he is correct.

Mr. Flam: I do not want to carry this argument further except to state, with Mr. Mueller's permission, my general objections to the testimony of this witness and questions of this character will hold, so I will not have to jump to my feet each time.

The Court: Yes, if it is satisfactory with Mr. Mueller.

Mr. Mueller: It is satisfactory.

The Court: You have an objection to this whole line [277] of testimony and the propriety of opinion evidence from an expert, and any objection you may have will apply to every question.

Mr. Flam: I don't want to be jumping up every second or so, and if that is understood I will interpose no further objections.

The Court: Yes. You may have an objection to all of this and an exception.

Q. (By Mr. Mueller): In the model, Defendant's Exhibit M, does the pivot point for the tappet or cam relate to the pivot for the rocker or treadle?

A. The axis of both parts would coincide when the lever is in a home position.

Q. Are they coaxial then?

A. That is the usual meaning of the term.

Q. Referring to this model, Defendant's Exhibit M, how does the operation for setting up the tappet relative to the rotary rocker compare with the same operation in Leishman, Figure 2?

A. The manual steps the operator would go through in setting the tappet in each of the devices would be identical.

Q. Then to substitute in Marschalk the exact lever from Schaefer, is it correct that all you would have to do is put a hole in the Marschalk treadle to accommodate the body of the tappet for a cam, or for a tappet on the lever? [278]

A. That is what one would have to do to make the lever of Schaefer operate on the rocker of Marschalk.

Q. (By the Court): And the effect of doing that, those changes or differences, the changes you make in combining them is to make them coaxial when it is in a home position, the lever with the rocker?

A. A man could do that even if he had never thought very strongly——

Q. Answer my question. That is the effect of it, isn't it? A. I suppose so, yes.

Q. In other words, the changes you made in Marschalk and Schaefer, in order to combine them, made this coaxial?

A. Yes. They became coaxial when you made the hole.

Q. And they would not have been coaxial if you had not made the change?

A. If you had not made the hole they would not be.

Q. (By Mr. Mueller)): The hole is a change.

A. Yes, the hole is a change. They also turned out to be coaxial—the combination turned out to be coaxial because each individual part was shaped in the manner it was. We could shape the separate

parts so when combined they would not be coaxial.

Q. (By the Court): Wouldn't they work just the same if they were not coaxial?

A. They would then probably work more like this model. [279]

Q. (By Mr. Flam): What is that model number? A. Model L.

Q. (By the Court): Is Model L the one that the tappet slips when you are setting, the rocker slips when you are setting? A. Yes.

Q. Whereas, if it were coaxial it wouldn't?

A. That is correct.

Q. (By Mr. Mueller): Is there a space or opening to accommodate the body of the tappet of Schaefer between the arms 32 and 34?

A. There is an air gap between the two arms.

Q. Supposing you told your students in mechanical designing that you wanted to use the lever assembly of Schaefer because it permitted setting by the operator's finger for station tuning by the tappet and you wanted to substitute this lever assembly in Marschalk for his solenoid driven lever, and then you asked your students to design for you a satisfactory tuner. Can you tell what you would expect to happen, from your experience?

A. I would expect the students to make scale drawings of the assembly of the two mentioned parts. Then they would observe that the end points, 57 and 58 of the tappet of Schaefer could not be brought into contact with the rocker of Marschalk

because of the material surrounding [280] the pivot for the tappet. I would say: "But I asked you to complete the design, so what must you do to finish it?" I would expect the students to merely cut a hole in the plate to provide clearance around the material surrounding the pivot so it could enter into the plate without touching on any side and thereby permit the ends 57 and 58 to come in contact with the plate.

Q. With the teachings of Schaefer and Marschalk before an ordinary machine or layout designer such as you have worked with in your commercial experience, will you please describe the design problem in providing settable tuning mechanism in the plunger if an adjustable cam thereon is to be used to actuate a rotary rocker connected to a tuning condenser?

A. The designer would look at the drawing of Marschalk and would observe the solenoid, he would note that if he merely omitted the solenoid and extended the lever a little farther and put a button on the end for finger operation, that there would be no change whatever in the operation of the mechanism. That is, if I got your question correctly.

Q. I was referring to a plunger instead of a lever; desiring to use a plunger rather than a lever but using the teachings of Marschalk and Schaefer?

A. If one wished to use a plunger that would give straight line motion as support for the tappet rather than the [281] pivoted lever which gives motion in the arc of a circle of a rather large radius, draftsmen would have no compunctions about sub-

stituting a plunger giving a straight line for the lever, giving an arc of a circle, since the motion is rather small while the tappet is being brought into contact with the rocker. A draftsman would make that substitution in the usual line of his work.

Q. (By the Court): Easy to do.

A. Oh, yes.

Q. It would impose no serious problem where a lever is used and you decided you wanted to use a plunger, to change the design to make it work with a plunger?

A. A draftsman does those things every day in the week in his usual line of work.

Q. (By Mr. Mueller): I think your answer to the Court was the answer to my next one, but for the purpose of the record to see whether you have anything else to add, will you answer this question: Is the design operation which you have just described a difficult problem so far as the plunger and the tappet and the rocker assembly is concerned?

A. My opinion would be from observing types of mechanisms which are in design as a matter of course in present-day industry, and the complications thereof, that this mechanism would be rated by a draftsman as rather a simple thing. [282]

Mr. Mueller: I offer in evidence the chart, Exhibit Y which has been referred to in this testimony.

The Court: It will be admitted.

Q. (By the Court): On this model, Plaintiff's

Exhibit 30, you were talking about the coaxiality of the two—what do you call that?

A. Rockers.

Q. Rockers, and you said it was necessary that the two rockers be coaxial because two tuning operations were done at once. If they were not coaxial it could not be done?

A. Yes, that is right.

Q. You did not mean to say that unless two tuning operations were being done it would not be necessary for the plunger and the one rocker to be coaxial to work, so that the rocker wouldn't move when you were setting it? You didn't mean to lead me to believe that if there were not two operations on here that it would not be necessary for the plunger and the rocker to be coaxial to get good results?

A. No, I didn't mean to leave it that way.

Q. Model L shows unless it is coaxial it moves while you are setting it?

A. Yes, that is right.

Mr. Mueller: You may cross-examine.

[Affidavit of service by mail.] [283]

[Title of District Court and Cause.]

ORDER

This cause having come on for hearing on defendant's Motion under Rule 52(b) of the Federal Rules of Civil Procedure and hearing having been

had and the Court being fully advised of the premises, it is hereby Ordered:

(1) Defendant's motion to file a supplemental Answer to the Complaint in this action and a second supplemental Counterclaim is denied.

(2) Defendant's Motion under Rule 52(b) is granted to the extent, and only to the extent, that the judgment in this cause shall be amended by the addition of a seventh paragraph to said judgment reading:

“This judgment shall not be construed to mean that the defendant is enjoined from proceeding in the case of LeRoy J. Leishman v. The Richards and Conover Company, Civil Action No. 2155 [284] of the United States District Court for the Western District of Oklahoma, and defendant is not enjoined from proceeding against Galvin Manufacturing Company.”

/s/ C. E. BEAUMONT,
Judge.

Enter: Dec. 18, 1946.

Judgment entered Dec. 18, 1946. Docketed Dec. 19, 1946. C. O. Book 41, Page 79.

EDMUND L. SMITH,
Clerk,
By FRANCIS E. CROSS,
Deputy.

[Endorsed]: Filed Dec. 18, 1946. [285]

United States District Court

Office of the Clerk

Southern District of California

Room 231 Post Office Building,
Los Angeles 12, California,
December 19th, 1946.

Lyon & Lyon, Esqs.,
Attorneys at Law,
811 West Seventh Street,
Los Angeles 14, Calif.

Gentlemen:

No. 4395-B. Civil. Radio Condenser Company,
et al. vs. LeRoy J. Leishman.

Please be informed that order amending judgment, signed by Judge Beaumont, has been filed and entered in Civil Order Book 41, page 79, under date of December 18th, 1946, and docketed on December 19th, 1946.

Yours very truly,

EDMUND L. SMITH,
Clerk,

By /s/ FRANCIS E. CROSS,
Deputy. [286]

In the United States Circuit Court of Appeals
for the Ninth Circuit

No. 4395-B Civil

RADIO CONDENSER COMPANY and GEN-
ERAL INSTRUMENT CORPORATION,
Plaintiffs,

vs.

LEROY J. LEISHMAN,

Defendant.

NOTICE OF APPEAL TO THE CIRCUIT
COURT OF APPEALS UNDER RULE 73(b)

Notice is hereby given that LeRoy J. Leishman, the defendant above named, hereby appeals to the Circuit Court of Appeals for the Ninth Circuit from the final amended judgment entered in this action on December 18, 1946.

/s/ LEROY J. LEISHMAN.

[Affidavit of service by mail attached.]

[Endorsed]: Filed March 17, 1947. [287]

In the United States District Court, Southern District of California, Central Division

No. 4395-B Civil

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT CORPORATION,
Plaintiffs,

vs.

LEROY J. LEISHMAN,

Defendant.

TENDER OF CASH DEPOSIT IN LIEU OF
BOND ON APPEAL

The defendant, LeRoy J. Leishman, having appealed from the final amended judgment of this court entered on December 18, 1946, to the United States Circuit Court of Appeals for the Ninth Circuit, now tenders to the court the sum of Two Hundred Fifty (\$250.00) Dollars, to be deposited on his behalf with the Clerk of said District Court, subject to the orders of this Court as security that the said appellant shall prosecute his appeal to effect; and that said appellant shall pay all costs if the appeal is dismissed or the judgment affirmed, or of such costs as the Appellate [289] Court may award if the judgment is modified.

Dated at Los Angeles, California, this 17th day of March, 1947.

/s/ LEROY J. LEISHMAN.

[Affidavit of service by mail attached.]

[Endorsed]: Filed March 17, 1947. [290]

[Title of District Court and Cause.]

NOTICE OF APPEAL

Notice Is Hereby Given that Radio Condenser Company and General Instrument Corporation, plaintiffs above named, appeal to the Circuit Court of Appeals for the Ninth Circuit from so much of the judgment entered in this action on December 18, 1946, as provides that:

“This judgment shall not be construed to mean that the defendant is enjoined from proceeding in the case of LeRoy J. Leishman v. The Richards and Conover Company, Civil Action No. 2155 of the United States District Court for the Western District of Oklahoma, and defendant is not enjoined from proceeding against Galvin Manufacturing Company.”

LYON & LYON,
/s/ LEONARD S. LYON,
/s/ LEONARD S. LYON, JR.,
Attorneys for Plaintiff.

[Affidavit of service by mail attached.]

[Endorsed]: Filed March 18, 1947. [292]

[Title of District Court and Cause.]

COST BOND ON APPEAL

Know All Men by These Presents That:

United States Fidelity and Guaranty Company,
a corporation organized under the laws of the State

of Maryland, and having an office and place of business at Los Angeles, California, as surety, is held and firmly bound unto LeRoy J. Leishman in the full and just sum of Two Hundred Fifty Dollars (\$250) to be paid to the said LeRoy J. Leishman, his heirs, executors, administrators, successors or assigns, which payment well and truly to be paid the undersigned binds itself by these presents.

Sealed with the seal of the undersigned and dated this 18th day of March, in the Year of our Lord One Thousand Nine Hundred and Forty-seven; and

Whereas, Lately at a District Court of the United States [294] for the Southern District of California, Central Division, in a suit pending in said Court between Radio Condenser Company and General Instrument Corporation, as plaintiffs, and LeRoy J. Leishman, as defendant, a judgment was entered in said suit, and plaintiffs not being satisfied with a part thereof have filed in said Court a Notice of Appeal to reverse the judgment as to said part on appeal to the United States Circuit Court of Appeals for the Ninth Circuit, at a session of said Circuit Court of Appeals to be holden by said court at San Francisco or at Los Angeles in the State of California,

Now, the condition of the above obligation is such that if the said plaintiffs, Radio Condenser Company and General Instrument Corporation, shall make payment of costs if said appeal be dismissed

or the judgment affirmed as to that part of the judgment from which said appeal is taken, or of such costs as the Appellate Court may have against said plaintiffs, then the above obligation to be void, else to remain in full force and effect.

[Seal] UNITED STATES FIDELITY
AND GUARANTY
COMPANY,

By /s/ O. D. BRICK,
Attorney in Fact.

The premium on this bond is \$10.00 for 1 year.

Examined and recommended for approval as provided in Rule 8.

LEONARD S. LYON, JR.,
Attorneys for Plaintiffs.

I Hereby Approve the foregoing this 18th day of March, 1947.

EDMUND L. SMITH,
Clerk

By EDW. F. DREW,
Deputy. [295]

State of California,
County of Los Angeles—ss.

On this 18th day of March in the year one thousand nine hundred and forty-seven, before me, Elizabeth A. Sheridan, a Notary Public in and for said County and State, residing therein, duly com-

missioned and sworn, personally appeared O. D. Brick, known to me to be the duly authorized Attorney-in-fact of the United States Fidelity and Guaranty Company, and the same person whose name is subscribed to the within instrument as the Attorney-in-fact of said Company and the said O. D. Brick duly acknowledged to me that he subscribed the name of the United States Fidelity and Guaranty Company thereto as Surety and his own name as Attorney-in-fact.

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

[Seal] /s/ ELIZABETH A. SHERIDAN,
Notary Public in and for Los Angeles County, State
of California.

My commission expires Nov. 5, 1948.

[Endorsed]: Filed March 18, 1947.

[Title of District Court and Cause.]

STIPULATION AS TO RECORD ON APPEAL
UNDER RULE 75f R.C.P.

It Is Stipulated by and between the plaintiffs Radio Condenser Company and General Instrument Corporation, through their attorneys, and defendant LeRoy J. Leishman, that the parts of the record, proceedings and evidence, to be included in the record on appeal herein under Rule 75f R.C.P. and transmitted to the Circuit Court of

Appeals for the Ninth Circuit pursuant to Rule 75g R.C.P., shall consist of the following:

1. Complaint and Plaintiffs' Exhibits 1, 2, 3, 4, and A filed therewith.
2. Answer and Counterclaim of defendant filed November 16, 1945.
3. Plaintiffs' Reply to Defendant's Counterclaim.
4. Interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18 served on plaintiffs by defendant December 7, 1945. [296]
5. Plaintiffs' Objections to Defendant's Interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18.
6. Minute Order dated January 18, 1946, sustaining Plaintiffs' Objections to Defendant's Interrogatories.
7. Motion of Plaintiffs for Summary Judgment and Plaintiffs' Exhibits B, C, D, E, F, G and H filed therewith.
8. Affidavit of defendant dated February 15, 1946, in Opposition to Plaintiffs' Motion for Summary Judgment and Defendant's Exhibits E, F, G, H, I, J, K, L, M, N, O, P, Q, 1a, 1b, 2a, 2b, 3a, 3b, 4a, 4b, 5a, 5b, 6, 7, 8, 9a, 9b, 10a, 10b, 11a, 11b, 12a, 12b, 13a, 13b, 14a, 14b, 15a, 15b, and 16a and 16b accompanying the said affidavit.
9. Defendant's Motion to Deny Plaintiffs' Motion for Summary Judgment and Motion to Dis-

miss the Declaratory Judgment Complaint, filed May 25, 1946, and Affidavit of Defendant dated May 25, 1946, filed therewith.

10. Certified Copy of the Findings of Fact, Conclusions of Law and Judgment in the case of LeRoy J. Leishman v. The Richards and Conover Company, Civil Action No. 2155 in the United States District Court for the Western District of Oklahoma.

11. Defendant's Motion under Rule 15d dated June 21, 1946.

12. Defendant's Second Affidavit dated July 6, 1946, in Support of Motion under Rule 15d and Defendant's First Supplemental Answer and Second Supplemental Counterclaim filed therewith July 8, 1946.

13. Affidavit of Maxwell James dated June 24, 1946.

14. Approved Findings of Fact and Conclusions of Law herein.

15. Judgment.

16. Notice by Clerk of Entry of Judgment September 12, 1946. [297]

17. Writ of Injunction.

18. Order of September 16, 1946, extending time in which to file motion under Rule 52(b).

19. Defendant's Motion under Rule 52b, Affidavit of Defendant dated October 16, 1946, sup-

porting same, and Defendant's Exhibit 17 accompanying same.

20. Court Order of December 18, 1946, denying defendant's motion under Rule 15d, granting in part defendant's motion under Rule 52b, and amending judgment.

21. Notice of Order amending judgment and entry of same December 18, 1946.

22. Notice of Appeal by defendant.

23. Tender of cash deposit in lieu of bond on appeal by defendant dated March 17, 1947.

24. Notice of Appeal by plaintiffs.

25. Cost Bond on Plaintiffs' Appeal.

26. This Stipulation.

It Is Further Stipulated that the costs of certifying the above portions of the record on appeal shall be borne 80% by the defendant LeRoy J. Leishman and 20% by the plaintiffs Radio Condenser Company and General Instrument Corporation.

Dated this 18th day of April, 1947.

LYON & LYON,
/s/ LEONARD S. LYON,
/s/ LEONARD S. LYON, JR.,
Attorneys for Plaintiffs
Cross-Appellants.

/s/ LEROY J. LEISHMAN,
Defendant Appellant.

[Endorsed]: Filed April 18, 1947. [298]

[Title of District Court and Cause.]

CERTIFICATE OF CLERK

I, Edmund L. Smith, Clerk of the District Court of the United States for the Southern District of California, do hereby certify that the foregoing pages numbered from 1 to 301, inclusive, contain full, true and correct copies of Complaint for Declaratory Judgment on Leishman reissue Patent No. Re. 20,827 and exhibits 1, 2, 3, 4 and A thereto; Defendant's Answer and Counter Claim; Plaintiffs' Reply to Defendant's Counterclaim; Interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18 Propounded by Defendant; Plaintiffs' Objections to Defendant's Interrogatories; Minute Order Entered January 18, 1946; Motion of Plaintiffs for Summary Judgment with Exhibits B, C, D, E, F, G and H thereto; Affidavit of LeRoy J. Leishman with all exhibits thereto except Exhibit R; Motion to Deny Plaintiffs' Motion for Summary Judgment and Motion to Dismiss the Declaratory Judgment Complaint; Affidavit of LeRoy J. Leishman; Certified Copies of Findings of Fact and Conclusions of Law and Judgment in Case No. 2155 in the United States District Court for the Western District of Oklahoma; Motion Under Rule 15d; Affidavit of Maxwell James; Second Affidavit of LeRoy J. Leishman in Support of Motion Under Rule 15(d) with Defendant's First Supplemental Answer and Second Supplemental Counterclaim; Findings of Fact and Conclusions of Law; Judgment; Notice of Entry of Judgment; Order of September 16, 1946; Writ of Injunction with Re-

turn of Marshal thereon; Motion Under Rule 52(b) with affidavit of LeRoy J. Leishman and Defendant's Exhibit 17 thereto; Order of December 18, 1946; Notice of Entry of Order; Defendant's Notice of Appeal; Tender of Cash Deposit in Lieu of Bond on Appeal; Plaintiffs' Notice of Appeal; Cost Bond on Appeal; Stipulation as to Record on Appeal; Stipulation and Order Extending Time to file record and docket appeal and Order Extending Time to File Record and Docket Appeal which constitute the record on appeal to the United States Circuit Court of Appeals for the Ninth Circuit.

I further certify that my fees for preparing, comparing, correcting and certifying the foregoing record amount to \$26.70, of which \$5.34 has been paid by Appellees and Cross-Appellants and \$21.36 of which has been paid by Appellant and Cross-Appellee.

Witness my hand and the seal of said District Court this 10th day of June, A.D. 1947.

[Seal] EDMUND L. SMITH,
Clerk.

By /s/ THEODORE HOCKE,
Chief Deputy Clerk.

[Endorsed]: No. 11652. United States Circuit Court of Appeals for the Ninth Circuit. LeRoy J. Leishman, Appellant, vs. Radio Condenser Company and General Instrument Corporation, Appellees. Radio Condenser Company and General In-

strument Corporation, Appellants, vs. LeRoy J. Leishman, Appellee. Transcript of Record. Upon Appeals from the District Court of the United States for the Southern District of California, Central Division.

Filed June 13, 1947.

/s/ PAUL P. O'BRIEN,

Clerk of the United States Circuit Court of Appeals
for the Ninth Circuit.

United States Circuit Court of Appeals
for the Ninth Circuit

No. 11652

LeROY J. LEISHMAN,

Defendant-Appellant,

vs.

RADIO CONDENSER COMPANY and GEN-
ERAL INSTRUMENT CORPORATION,
Plaintiffs-Appellees and Cross-Appellants.

CONCISE STATEMENT OF POINTS UPON
WHICH DEFENDANT-APPELLANT, Le-
ROY J. LEISHMAN, WILL RELY AS RE-
QUIRED BY RULE 19(6) OF THIS COURT

Pursuant to and in accordance with Rule 19(6)
of this Court, notice is hereby given that at the
hearing of this appeal the defendant-appellant will
rely on the following points:

I.

That the District Court erred in holding that the plaintiffs have not infringed United States Reissue Letters Patent No. Re. 20,827, particularly claims 7 to 11, inclusive thereof, by the manufacture, use, or sale of condensers and tuners as exemplified by Radio Condenser Company Model 28 tuner, filed with the complaint in this action as Plaintiffs' Exhibit 1, or General Instrument Corporation Model 31 tuner, filed with the complaint in this action as Plaintiffs' Exhibit 3.

II.

The District Court erred in following the decision of the Ninth Circuit Court of Appeals in the case of *LeRoy J. Leishman v. Associated Wholesale Electric Company*, 137 F. 2d. 722, which was based upon a record vastly different from that in the instant case. It is admitted by both sides that the plaintiffs' tuners are patentwise the same as the Crosley tuner involved in the *Associated* case, in which this Honorable Court correctly held that two of the three elements of the claims were present in the accused devices. As to the third element, this Court held that the operating plungers of the accused radio tuners were not the equivalents of the operating levers shown in the patent. In the *Associated* case, however, there were no prior tuner patents in the record showing the use of plungers as alternatives for levers in operating such devices. But in the instant case, ten such patents have been introduced along with still additional evidence showing that

plungers were known at the date of the patent as proper substitutes for levers in such mechanisms. Having this new and indisputable evidence before it, the District Court should have held that the accused manufacturers had merely omitted one element of the patentee's combination and substituted another that was well known at the date of the patent as a proper substitute for the element withdrawn, and that according to the long-established doctrine laid down in *Seymour v. Osbourne* 78 U. S. 516, 20 L. Ed. 53 and *Imhaeuser v. Buerk*, 101 U. S. 647, 655, 25 L. Ed. 945, infringement had not been avoided.

In the *Associated* case, *supra*, only six prior art patents were in evidence. These were contained in the then appellee-defendant's Exhibit J. Of these six, only the Schaefer, Flaherty and Marschalk patents pertained to automatic tuners, and all three of them were operated by levers. In the new and different evidence in the present record, ten patents are before the court disclosing the prior art use of plungers for operating automatic tuners or for positioning tappets. Three of these ten, Defendant's Exhibits E, O and P, teach the alternative use of levers and plungers for this purpose. Exhibits O and P show the same automatic tuning mechanism operated either by plungers or levers, and Exhibit E shows that it was known in 1883 that levers and plungers could be used alternatively for moving tappets in shaft-positioning devices.

In addition to the ten prior art patents hereinbefore referred to, the defendant submitted pictures as Exhibits 1a to 16b, inclusive, which show

sixteen different well-known prior art mechanisms that are operated either by levers or plungers.

In the face of this indisputable evidence proving that plungers are mechanical equivalents of the levers shown in the patent, it was error for the District Court to follow a former decision of this Appellate Court that was decided upon a different record which contained none of this evidence. The doctrine of *stare decisis* applies only when the record is the same, and it is not to be considered when a more complete record shows the first ruling to be incorrect.

III.

The District Court erred in granting summary judgment in direct conflict with a previous holding of another U. S. District Court to the effect that the claims here at issue are clearly valid and clearly infringed by the very tuners before this court. Subsequent to the decision of the Ninth Circuit Court of Appeals in the case of *Leishman v. Associated*, *supra*, evidence not before the latter court was presented to the U. S. District Court for the Western District of Oklahoma in the case of *LeRoy J. Leishman v. The Richards and Conover Company*, Civil Action No. 2155, which involved the same accused tuners now before this appellate court. The District Court in Oklahoma held not only that the claims here at issue were clearly valid but that they were clearly infringed by these tuners. In the light of the prior Oklahoma decision, a summary judgment of non-infringement was improper in the instant

case, because a summary judgment is to be granted only when it is very clear that there is no conflict as to any genuine issue of fact. Certainly it cannot summarily be held that there is no genuine issue of fact in opposition to plaintiffs' allegation of non-infringement when another U. S. District Court after a full trial has just previously held that the same claims here at issue are clearly infringed by the same tuners involved in the summary judgment proceedings.

IV.

The District Court erred in sustaining plaintiffs' objections to defendant's interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18, requiring data on the volume of plaintiffs' sales to show the extent of plaintiffs' commercial success. It has repeatedly been held by this appellate court that great commercial success is an important factor in determining the question of invention, and it has been held by other courts, including the Supreme Court, that the commercial success of an infringer is as much to be considered as the commercial success of the patentee. The data sought was thus highly pertinent and was peculiarly within the knowledge of the plaintiffs.

V.

The District Court erred in denying defendant's request for permission to file a supplemental answer to the complaint, which said supplemental answer alleged that the plaintiffs in this action were bound by the decision in the case of *Leishman v. The Rich-*

ards and Conover Company, *supra*, for the reason that the said plaintiffs participated in the defense of that suit. The law in this circuit and elsewhere is that a party not a stranger to the action who aids or participates in the defense of such action in the furtherance of some interest of his own, is bound by the decision in such suit.

In the instant case, the plaintiffs had long anticipated that their tuners would be accused as infringements of the patent here at issue, and a legal defense was decided upon long before the defendant herein had accused these tuners in the suit against The Richards and Conover Company. Moreover, before that action was commenced, special models were built by the plaintiffs herein to demonstrate that pre-arranged defense. The affidavit of plaintiffs' patent counsel, Maxwell James, recounts the building of these models and explains the defense that they were to demonstrate. Mr. James also sets forth in his affidavit that he received a long distance telephone call from Foorman L. Mueller, counsel for the Richards and Conover Company, stating that he, Mueller, was not fully prepared for trial, and calling upon Mr. James for help. Mr. James' affidavit states that he sent Mr. Mueller the specially prepared models which he describes elsewhere in the affidavit as a "model of the Marschalk patent and another model showing how the lever device of the Schaefer patent could be substituted for the lever device of the Marschalk patent, to demonstrate that there was no invention in so doing." The transcript of pertinent portions of the record of The

Richards and Conover suit, Defendant's Exhibit 17, shows that Mr. Mueller, who admitted that he was not prepared, adopted the defense that had been prepared by the plaintiffs in the present action, and that the whole defense in the Oklahoma action consisted in laying the ground work for the introduction of these models and in demonstrating them to the court. The present plaintiffs thus not only aided or participated in the defense of the Oklahoma action, which alone would have been enough to bind them, but they actually controlled the defense of the suit by responding to Mr. Mueller's request and presenting him with a ready-made defense.

Inasmuch as the facts detailed in the foregoing paragraphs were established by photostats of the transcript of the Oklahoma trial and by the James affidavit submitted by the plaintiffs, the District Court should have permitted the filing of a supplemental answer to the complaint, setting up the defense that the plaintiffs were bound by participation in the Oklahoma action; and the District Court erred in denying the motion requesting such permission.

VI.

The District Court erred in failing to hold that the plaintiffs herein were bound by the decision of the U. S. District Court for the Western District of Oklahoma in the case of *Leishman v. The Richards and Conover Company*. Had the lower court so held in accordance with the facts set forth in section V hereof, it would have been unnecessary to have considered any of the other issues.

VII.

The District Court erred in denying any part of Defendant's Motion under Rule 52(b). This motion pointed out the errors in the Findings of Fact, Conclusions of Law, and Judgment; and it proposed a different set of findings and legal conclusions and a judgment in accordance with the facts hereinbefore discussed.

Wherefore the defendant-appellant prays that the summary judgment of the District Court be reversed and that this Honorable Court hold (a) that the plungers of the plaintiffs' tuners are the equivalents of the operating levers shown in the patent; (b) that claims 7, 8, 9, 10 and 11 of the patent here in suit are infringed by the plaintiffs' tuners; (c) that defendant-appellant's proposed second supplemental amendment should be admitted; (d) that the plaintiffs-appellees and cross-appellants cannot be heard to challenge the validity of the patent for the reason that the plaintiffs are bound by the decision in the case of *Leishman v. The Richards and Conover Company*, Civil action 2155, in the U. S. District Court for the Western District of Oklahoma, because of the participation of the present plaintiffs therein; and (e) that a summary judgment should not have been granted under the circumstances.

/s/ LeROY J. LEISHMAN,
Defendant-Appellant in
propria persona.

It is hereby certified that a copy of this document is being mailed to counsel for the plaintiffs-appellees and cross-appellants at 811 West Seventh St., Los Angeles 14, California, simultaneous with the mailing of the originals and copies thereof to the clerk of the U. S. Circuit Court of Appeals for the Ninth Circuit.

/s/ LeROY J. LEISHMAN,
Defendant-Appellant in
propria persona

Dated, Los Angeles, California, June 23, 1947.

[Endorsed]: Filed June 24, 1947.

[Title of Circuit Court of Appeals and Cause.]

STIPULATION FOR DESIGNATION ON AP-
PEAL UNDER RULE 19(6) OF THIS
COURT

It Is Stipulated by and between the Radio Condenser Company and General Instrument Corporation, plaintiffs-appellees and cross-appellants, through their attorneys, and the defendant-appellant, LeRoy J. Leishman, that the following shall constitute the designated parts of the record, exclusive of physical exhibits, which shall be printed by the Clerk from the records, proceedings and evidence contained in the record on appeal transmitted by the Clerk of the United States District Court for the Southern District of California, pursuant to the

stipulation dated April 18, 1947, and shall constitute the printed record on appeal herein.

1. Complaint and Plaintiffs' Exhibits 1, 3 and A filed therewith.

2. Answer and Counterclaim of defendant filed November 16, 1945.

3. Plaintiffs' Reply to Defendant's Counterclaim.

4. Interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18 served on plaintiffs by defendant December 7, 1945.

5. Plaintiffs' Objections to Defendant's Interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18.

6. Minute Order dated January 18, 1946, sustaining Plaintiffs' Objections to Defendant's Interrogatories.

7. Motion of Plaintiffs for Summary Judgment and Plaintiffs' Exhibits B, C, D, E, and G filed therewith.

8. Affidavit of defendant dated February 15, 1946, in Opposition to Plaintiffs' Motion for Summary Judgment.

9. Defendant's Motion to Deny Plaintiffs' Motion for Summary Judgment and Motion to Dismiss the Declaratory Judgment Complaint, filed May 25, 1946, and Affidavit of Defendant dated May 25, 1946, filed therewith.

10. Certified Copy of the Findings of Fact, Conclusions of Law and Judgment in the case of LeRoy

J. Leishman v. The Richards and Conover Company, Civil Action No. 2155 in the United States District Court for the Western District of Oklahoma.

11. Defendant's Motion under Rule 15d dated June 21, 1946.

12. Defendant's Second Affidavit dated July 6, 1946, in Support of Motion under Rule 15d and Defendant's First Supplemental Answer and Second Supplemental Counterclaim filed therewith July 8, 1946.

13. Affidavit of Maxwell James dated June 24, 1946.

14. Approved Findings of Fact and Conclusions of Law herein.

15. Judgment.

16. Notice by Clerk of Entry of Judgment September 12, 1946.

17. Writ of Injunction.

18. Order of September 16, 1946, extending time in which to file motion under Rule 52(b).

19. Defendant's Motion under Rule 52b, Affidavit of Defendant dated October 16, 1946, supporting same, and Defendant's Exhibit 17 accompanying same.

20. Court Order of December 18, 1946, denying defendant's motion under Rule 15d, granting in part defendant's motion under Rule 52b, and amending judgment.

21. Notice of Order amending judgment and entry of same December 18, 1946.

22. Notice of Appeal by defendant.

23. Tender of cash deposit in lieu of bond on appeal by defendant dated March 17, 1947.

24. Notice of Appeal by plaintiffs.

25. Cost Bond on Plaintiffs' Appeal.

26. Stipulation as to Record on Appeal under Rule 75f F.R.C.P.

27. This Stipulation.

28. Stipulation and Order designating certain of plaintiffs' and defendant's exhibits as physical exhibits on appeal.

29. Concise Statement of Points Upon Which Defendant-Appellant, LeRoy J. Leishman, Will Rely as Required by Rule 19(6) of this Court.

30. Concise Statement of Points Upon Which Plaintiffs-Appellees and Cross-Appellants, Radio Condenser Company and General Instrument Corporation, Will Rely as Required by Rule 19(6) of this Court.

It is further stipulated that the Clerk of the Court shall cause to be printed sixteen (16) copies of a Book of Exhibits which shall contain the following parts of the record and evidence:

1. U. S. Reissue Patent No. Re. 20,827, which formed a part of the file wrapper designated Plain-

tiffs' Exhibit F, filed with Plaintiffs' Motion for Summary Judgment.

2. Original U. S. Patent No. 2,108,538, which was filed as Plaintiffs' Exhibit H with Plaintiffs' Motion for Summary Judgment.

3. The following exhibits filed with Defendant's Affidavit in Opposition to Plaintiffs' Motion for Summary Judgment:

Defendant's Exhibit E, U. S. Patent No. 290,894 to Kettell.

Defendant's Exhibit F, U. S. Patent No. 1,687,420 to Bast.

Defendant's Exhibit G, U. S. Patent No. 1,704,754 to Marvin.

Defendant's Exhibit I, British Patent No. 405,716 to Freytag.

Defendant's Exhibit J, U. S. Patent No. 703,570 to Gerdes.

Defendant's Exhibit K, U. S. Patent No. 1,928,200 to Fass.

Defendant's Exhibit L, Certified translation of German Patent No. 438,696.

Defendant's Exhibit M, photostat of German Patent No. 438,696.

Defendant's Exhibit N, U. S. Patent No. 2,297,152 to Jacke.

Defendant's Exhibit O, U. S. Patent No. 1,865,704 to Peck.

Defendant's Exhibit P, Certified translation of Danish Patent No. 52,047.

Defendant's Exhibit Q, photostatic copy of Danish Patent No. 52,047.

Two copies of the Book of Exhibits shall be supplied to Defendant-Appellant, four copies to counsel for the Plaintiffs-Appellants, Radio Condenser Company and General Instrument Corporation, and the remainder are to be retained by the Clerk of this court to form a part of the record on appeal.

It is further stipulated that the costs of printing the record herein and of printing the Book of Exhibits shall be paid eighty per cent (80%) by defendant-appellant, LeRoy J. Leishman, and twenty per cent (20%) by plaintiffs-appellees and cross-appellants, Radio Condenser Company and General Instrument Corporation.

Dated this 27th day of June, 1947.

/s/ LeROY J. LEISHMAN,
Defendant-Appellant in
propria persona.

/s/ LEONARD S. LYON,
/s/ LEONARD S. LYON, JR.,
Attorneys for Plaintiffs-Appellees and Cross-Appellants.

It is so ordered this day of, 1947.

[Endorsed]: Filed July 1, 1947.

[Title of Circuit Court of Appeals and Cause.]

CONCISE STATEMENT UNDER RULE 19 OF
THIS COURT OF THE POINTS UPON
WHICH RADIO CONDENSER COMPANY
AND GENERAL INSTRUMENT CORPO-
RATION RELY UPON APPEAL IN THE
ABOVE-ENTITLED CAUSE

1. The court erred in granting defendant's motion under Rule 52(b) of the Federal Rules of Civil Procedure and amending the judgment in this cause by the addition of the seventh paragraph thereof, reading:

“This judgment shall not be construed to mean that the defendant is enjoined from proceeding in the case of LeRoy J. Leishman v. The Richards and Conover Company, Civil Action No. 2155 in the United States District Court for the Western District of Oklahoma, and defendant is not enjoined from proceeding against Galvin Manufacturing Company.”

2. The court erred in excluding from the injunction ordered in this cause the prosecution by defendant of the case of LeRoy J. Leishman v. The Richards and Conover Company, Civil Action 2155 in the United States District Court for the Western District of Oklahoma, in failing to enjoin the further prosecution by defendant of that cause, and in excluding from the said injunction the Galvin Manufacturing Company.

3. By excluding from the injunction ordered in this cause the Galvin Manufacturing Company and the further prosecution of the case of LeRoy J. Leishman v. The Richards and Conover Company, Civil Action 2155 in the United States District Court for the Western District of Oklahoma, the court erred, in failing fully to effectuate its decree of non-infringement in this cause by an injunction protecting plaintiffs' right to continue the business of manufacturing and selling their tuners as exemplified by Radio Condenser Company Model 28 Tuner or General Instrument Corporation Model 31 Tuner, throughout the United States without molestation by the defendant through his patent Reissue Letters Patent No. Re. 20,827.

4. By excluding from the injunction ordered in this cause the Galvin Manufacturing Company and the further prosecution of the case of LeRoy J. Leishman v. The Richards and Conover Company, Civil Action 2155 in the United States District Court for the Western District of Oklahoma, the court erred, in failing fully to effectuate its decree of non-infringement in this cause by an injunction restricting the further prosecution of suits under Reissue Letters Patent Re. 20,827 against any customer of plaintiffs' for alleged infringement of defendant's Reissue Letters Patent Re. 20,827 by using or selling tuners manufactured by plaintiffs

as exemplified by Radio Condenser Company Model
28 Tuner of General Instrument Corporation Model
31 Tuner.

Dated this 30th day of June, 1947.

/s/ LEONARD S. LYON,

/s/ LEONARD S. LYON, JR.,

Attorneys for Plaintiffs-Appellees and Cross-Appellants.

[Affidavit of service by mail attached.]

[Endorsed]: Filed July 2, 1947.

At a Stated Term, to wit: The October Term 1946, of the United States Circuit Court of Appeals for the Ninth Circuit, held in the Court Room thereof, in the City and County of San Francisco, in the State of California, on Monday, the seventh day of July, in the year of our Lord one thousand nine hundred and forty-seven.

Present: Honorable Francis A. Garrecht,
Senior Circuit Judge, Presiding.
Honorable William Healy, Circuit Judge.
Honorable William E. Orr, Circuit Judge.

No. 11652

LeROY J. LEISHMAN,

Appellant,

vs.

RADIO CONDENSER COMPANY and GEN-
ERAL INSTRUMENT CORPORATION,

Appellees,

and

RADIO CONDENSER COMPANY and GEN-
ERAL INSTRUMENT CORPORATION,

Appellants,

vs.

LeROY J. LEISHMAN,

Appellee.

ORDER EXTENDING TIME TO FILE
TRANSCRIPT OF RECORD

Upon consideration of the motions of counsel for the respective parties, and good cause therefor appearing, It Is Ordered that the time within which the certified transcript of record may be filed and the cause docketed in this court be, and hereby is extended to and including June 13, 1947.

United States Circuit Court of Appeals
for the Ninth Circuit

No. 11652

LeROY J. LEISHMAN,
Defendant-Appellant,
vs.

RADIO CONDENSER COMPANY and GEN-
ERAL INSTRUMENT CORPORATION,
Plaintiffs-Appellees and Cross-Appellants.

STIPULATION AND ORDER DESIGNATING
CERTAIN DOCUMENTARY EXHIBITS
TO BE PHYSICAL EXHIBITS FOR THE
RECORD ON APPEAL

It Is Stipulated by and between the Radio Condenser Company and General Instrument Corporation, plaintiffs-appellees and cross-appellants, through their attorneys, and the defendant-appellant, LeRoy J. Leishman, that the following docu-

mentary exhibits, because of the cost of reproduction in the printed record, need not be printed, but shall constitute physical exhibits and be a part of the record on appeal: Plaintiffs' Exhibit F, which is the file wrapper of U. S. Patent No. Re. 20,827, and Defendant's Exhibits 1a, 1b, 2a, 2b, 3a, 3b, 4a, 4b, 5a, 5b, 6, 7, 8, 9a, 9b, 10a, 10b, 11a, 11b, 12a, 12b, 13a, 13b, 14a, 14b, 15a, 15b, 16a and 16b, the said Defendant's Exhibits to be attached together as one document; and all of these exhibits may be used and considered by the Court and counsel for all purposes upon said appeal.

/s/ LeROY J. LEISHMAN,
Defendant-Appellant,
in propria persona.

/s/ LEONARD S. LYON,
/s/ LEONARD S. LYON, JR.,
Counsel for Plaintiffs-Appellees and Cross-Appellants.

It is so ordered this 12th day of August, 1947.

/s/ FRANCIS A. GARRECHT,
Senior U. S. Circuit Judge.

[Endorsed]: Filed Aug. 12, 1947.

No. 11652.

IN THE

United States Circuit Court of Appeals
FOR THE NINTH CIRCUIT

LEROY J. LEISHMAN,

Appellant,

vs.

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
CORPORATION,

Appellees.

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
CORPORATION,

Cross-Appellants,

vs.

LEROY J. LEISHMAN,

Cross-Appellee.

APPELLANT'S OPENING BRIEF.

LEROY J. LEISHMAN,
2921 Greenfield Avenue, Los Angeles 34,
Appellant, in propria persona.

NOV 19 1947

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LeROY J. LEISHMAN,

Appellant,

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Appellees.

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
CORPORATION,

Cross-Appellants,

vs.

LeROY J. LEISHMAN,

Cross-Appellee.

APPELLANT'S OPENING BRIEF.

Statement of Pleadings and Facts Upon Which
Jurisdiction Is Based.

This is an appeal by defendant from a Summary Judgment entered on September 12, 1946, and amended December 18, 1946, holding that claims 7 to 11, inclusive, of Reissue Letters Patent No. Re. 20,827 are not infringed by the manufacture, use, or sale of condensers and tuners, as exemplified by Radio Condenser Company Model 28 tuner and General Instrument Corporation Model 31 tuner [R. Vol. I, pp. 94, 133, 134].

The jurisdiction of the District Court was based upon:

(a) U. S. Code, Patents, Title 35, Section 67;

(b) The Declaratory Judgment Act, Section 274-D of the Judicial Code, 28 U. S. Section 400; and

(c) Diversity of citizenship. The plaintiffs both have their principal places of business in the State of New Jersey. The defendant resides in the City of Los Angeles, California.

The complaint [R. Vol. I, p. 2] alleged that claims 7 to 11 of Reissue Patent No. 20,827 were invalid and not infringed.

Defendant's Answer [R. Vol. I, p. 15] denied that the said claims were invalid and not infringed, and Defendant's Counter Claim charged infringement of the said claims and asked for the usual accounting.

Five days after entry of the original judgment, the time for filing a Motion under Rule 52b of the Federal Rules of Civil Procedure was extended until October 16, 1946 [R Vol. I, p. 97].

The aforementioned Motion under Rule 52b [R. Vol. I, p. 100] was filed on October 16, 1946.

The said motion was granted in part and the judgment amended on December 18, 1946 [R. Vol. I, pp. 133 and 134].

Notice of appeal from the final amended judgment was filed on March 17, 1947 [R. Vol. I, p. 136].

The jurisdiction of the Circuit Court of Appeals is based upon Judicial Code, Title 28 U. S. C., Section 225.

Statement of the Case.

The complaint [R. Vol. I, p. 2] was filed under the Declaratory Judgment Act and alleges that claims 7 to 11 of appellant's Patent No. Re. 20,827 are invalid and not infringed by the devices manufactured by appellees. The complaint states [R. Vol. I, p. 3] that an actual controversy exists, and in the fourth and fifth paragraphs [R. Vol. I, pp. 4, 5 and 6] it identifies the said controversy as a suit filed by appellant (and subsequently won by him) against The Richards and Conover Company in the Western District of Oklahoma, Civil Action No. 2155, charging infringement of the said patent by the Oklahoma defendant through the sale of Motorola radio receivers manufactured by the Galvin Manufacturing Company of Chicago and containing instruments made by each of the appellees. The Declaratory Judgment complaint prayed for a judgment of invalidity and non-infringement and requested [R. Vol. I, pp. 10 and 11] preliminary and final injunctions enjoining appellant from any act alleging infringement of any claim of the said patent by appellees or any of their customers.

The complaint pointed out [R. Vol. I, p. 7] that this Honorable Court, in the case of *LeRoy J. Leishman v. Associated Wholesale Electric Company*, 137 F. (2d) 722, held that the patent here in suit was not infringed by the (Crosley) tuner there involved.

Appellant's Answer [R. Vol. I, p. 15] denied that the patent was invalid and that it was not infringed by the appellees' tuners, and a counter claim was filed [R. Vol. I, p. 16] alleging infringement of claims 7 to 11 of the said patent through appellees' manufacture and sale of the said tuners.

On January 23, 1946, appellees filed a motion for summary judgment [R. Vol. I, pp. 27 and 28], accompanied by an affidavit of Samuel S. Mackeown [R. Vol. I, p. 29 *et seq.*] to the effect that appellees' tuners were in all material respects the same as the Crosley tuner involved

in the *Associated* case, *supra*. Memoranda and oral arguments of the appellees urged a decision in their favor on the basis of *stare decisis*.

Appellant opposed appellees' Motion for Summary Judgment. Ten prior art patents and sixteen other exhibits were filed in his behalf, together with an affidavit of LeRoy J. Leishman [R. Vol. I, p. 46] setting forth that none of these exhibits were in the record of the *Associated* case, *supra*.

Appellees' Motion for Summary Judgment was opposed upon the ground that the Ninth Circuit Court of Appeals did not have the benefit of this evidence when deciding the *Associated* case; that a decision based upon this evidence would be entirely different from the decision in the former action; and that when the evidence is different a former decision of an appellate court is not controlling upon the lower court, and hence a summary judgment could not be rendered upon the basis of *stare decisis*, as urged by appellees.

Although a hearing was held on appellees' Motion for Summary Judgment before the aforementioned Oklahoma action came to trial, the said trial was held and the judgment therein entered before the summary judgment was entered in the instant case. The same ten prior art patents and 16 other exhibits that are in the present record and which were not of record in the *Associated* case, were in evidence in the Oklahoma action and discussed at the trial. In deciding that case, the United States District Court for the Western District of Oklahoma held that claims 7 to 11 of the patent (the same claims at issue here) were "clearly valid and clearly infringed" by *the same tuners involved in the present action* [see Oklahoma Finding 6, R. Vol. I, p. 53].

After the Oklahoma trial, the appellant on May 25, 1946, filed a Motion to Deny Plaintiffs' Motion for Summary Judgment and Motion to Dismiss the Declaratory

Judgment Complaint [R. Vol. I, p. 47 *et seq.*], setting forth that it could not summarily be held that the tuners here at issue did not infringe claims 7 to 11 of the appellant's patent when the Oklahoma court had just held after a full trial that these same tuners were clear infringements.

On June 21, 1946, appellant filed a Motion under Rule 15d [R. Vol. I, p. 63 *et seq.*] requesting leave to file a supplemental answer [R. Vol. I, p. 72 *et seq.*] to the effect that appellees were bound by the Oklahoma decision because of their participation in the defense of the Oklahoma suit, which said participation was set forth in the Second Affidavit in Support of Motion under Rule 15(d) [R. Vol. I, p. 69 *et seq.*].

Summary Judgment of non-infringement was entered in favor of appellees [R. Vol. I, p. 94 *et seq.*] and the injunction prayed for in the complaint was entered on September 18, 1946.

In acting upon appellant's Motion under Rule 52(b) to amend the findings, conclusion and judgment [R. Vol. I, p. 100 and 101], the District Court denied appellant's aforementioned Motion under Rule 15(d) for permission to file a supplemental answer, but the judgment was amended to permit appellant to proceed against the defendant in the Oklahoma case and against the Galvin Manufacturing Company, which was bound by the Oklahoma decision [R. Vol. I, pp. 133 and 134]. This amended portion of the judgment is the subject of plaintiffs' cross appeal.

The first question presented by the present appeal has to do with the effect of the evidence in the present record that was not in the record of the *Associated Wholesale Electric* suit, *supra*. The lower court in the instant case based its decision upon this appellate court's ruling in the *Associated* case that one of the elements of the then accused tuner (which element is also present in appellees'

tuners) was not the equivalent of the corresponding element shown in the patent. The new and different evidence shows that these elements were well known equivalents in this art before the patent at issue was granted. Appellant contends that no decision can now be rendered consistent with this new evidence excepting one to the effect that appellees' devices are clear infringements, as the Oklahoma court held them to be.

Another important question may be expressed as follows: If summary judgment is rendered upon the basis of *stare decisis* when the complaint and answer raise important issues of fact, how can an opposing party, thus cut off without a trial, present evidence that may show the previous decision was in error?

The next question presented by this appeal has to do with the propriety of the District Court's refusal to permit appellant to file a supplemental answer setting forth the additional defense that appellees are bound by the decision in the Oklahoma suit because of their participation therein.

A fourth question relates to whether or not appellees are precluded from contesting the validity of the patent. Instead of intervening in the suit which appellant provided for them in Oklahoma, appellees tried to stop that suit and insisted upon bringing the contest into this circuit where they expected that the doctrine of *stare decisis* would give them a rubber-stamped decision based upon this court's opinion in the *Associated* case, *supra*. But in that opinion this court set aside the lower court's finding of invalidity, and resolved any doubts there may have been on this issue in favor of the patent by striking out that portion of the District Court's opinion which ruled the patent was invalid for want of invention. The Appellate Court's decision in the *Associated* case thus restored the presumption of validity to the patent. Appellant contends that appellees, who came to this circuit

to benefit by the *Associated* decision, and who urge that this decision be applied, are thereby precluded from attacking the validity of the patent. The matter of validity was not brought before the lower court, but it is of importance here for the reason that if appellees are precluded from raising this issue, a holding of infringement will dispose of the case.

Should this court fail to hold that appellees are bound by the Oklahoma decision, or that they are precluded from contesting the validity of the claims, it then becomes necessary for this court, in remanding the case for a trial, to decide whether it was proper for the lower court to sustain appellees' objections to appellant's interrogatories [R. Vol. I, p. 21 *et seq.*]. The answers to these interrogatories were needed to determine the extent of the commercial success of the devices involved. This court and others have repeatedly held that commercial success and public acceptance constitute important evidence in resolving the issue of invention if doubt appears. Appellees' objections were to the effect that the information called for was irrelevant to any issue in the case [R. Vol. I, p. 25], and the court sustained the objections [R. Vol. I, p. 26].

A very important question presented by this appeal is whether or not the District Court should have granted a *summary* judgment in direct conflict with a decision rendered by another U. S. District Court after a *full trial*, the U. S. District Court for the Western District of Oklahoma having just previously held that the *same* tuners here involved are clear infringements of the very claims here at issue.

Another question, which apparently needs to be answered by this court again, is whether a lower court, upon a new and different record, is required to follow a former decision of an appellate court.

Specification of Errors Relied Upon.

1. The District Court erred in holding that appellees have not infringed claims 7 to 11 of U. S. Re-issue Letters Patent No. Re. 20,827.

2. The District Court erred in making Finding 18 to the effect that "No evidence has been presented to the court by defendant which could in any manner change or affect the ruling of the Circuit Court of Appeals in the aforesaid case [*Leishman v. Associated Wholesale Electric Co.*, 137 F. (2d) 722] that plungers and levers in the alleged patented combination do not function in the same way, or in substantially the same way, and are therefore not equivalents." [R. Vol. I, p. 91.]

3. The District Court erred in making Finding 19 to the effect that "There is no genuine issue as to any material fact and no controversial question of fact to be determined at a trial respecting the issue of infringement of Claims 7 to 11, inclusive, of Reissue Letters Patent No. Re. 20,827 by plaintiffs' Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner." [R. Vol. I, p. 91.]

4. The District Court erred in following the decision of the Ninth Circuit Court of Appeals in the case of *LeRoy J. Leishman v. Associated Wholesale Electric Company*, 137 F. (2d) 722, which was based upon a record vastly different from that in the instant case.

5. The District Court erred in basing a summary judgment upon the doctrine of *stare decisis*, for the reason that it cannot be decided whether or not that doctrine is applicable until all of the evidence is in.

6. The District Court erred in granting summary judgment in direct conflict with a previous decision of another U. S. District Court, rendered after a full trial, to the effect that the claims here at issue are clearly valid and clearly infringed by the very tuners involved in the instant suit.

7. The District Court erred in sustaining appellees' objections to appellant's interrogatories 4, 5, 6, 7, 10, 11, 17 and 18, requiring data on the volume of appellees' sales to show the extent of the commercial success of appellees' devices.

8. The District Court erred in denying appellant's motion under Rule 15d, F. R. C. P., for permission to file a supplemental answer to the complaint, which said supplemental answer alleged that appellees were bound by the decision of the U. S. District Court for the Western District of Oklahoma in the case of *Leishman v. The Richards and Conover Company*, Civil Action No. 2155, for the reason that appellees herein participated in the defense of that suit.

9. The District Court erred in failing to hold that appellees were bound by the decision of the U. S. District Court for the Western District of Oklahoma in the said case of *Leishman v. The Richards and Conover Company*.

10. The District Court erred in denying any part of appellant's Motion under Rule 52(b). This motion asked for changes to correct errors in the Findings of Fact, Conclusions of Law, and Judgment; and it proposed a different set of findings and legal conclusions and a judgment in accordance therewith.

ARGUMENT.

Introduction to the Argument.

In granting summary judgment that the claims at issue are not infringed by appellees' devices, the lower court has violated the rules pertaining to summary judgments as well as those governing the doctrine of *stare decisis*.

In *Cohen et al v. Eleven West 42nd Street, Inc.*, Second Circuit, 115 F. (2d) 531, 532, the court said:

"A motion for summary judgment is not a trial; on the contrary it assumes that scrutiny of the facts will disclose that the 'issues presented by the pleadings' need not be tried because they are so patently insubstantial as not to be genuine issues at all."

One of "the issues raised by the pleadings" in the instant case, was the issue of infringement. If this issue was *so patently insubstantial as not to be a genuine issue at all*, then it would appear that the lower court would have to agree with the U. S. District Court for the Western District of Oklahoma, which held after a full trial that appellees' devices were "clear infringements" of the same claims here at issue [Oklahoma findings 6 and 26, R. Vol. I, pp. 53 and 59]. But our District Court rendered a *summary* judgment that they did *not* infringe.

In *Ramsouer v. Midland Valley R. Co.*, 135 F. (2d) 101, 106, the Eighth Circuit Court, in speaking of a motion for summary judgment, said:

"In considering such a motion as in a motion for a directed verdict, the court should take that view of the evidence most favorable to the party against whom it is directed, giving to that party the benefit of all favorable inferences that may reasonably be drawn from the evidence. If, when so viewed, reasonable men might reach different conclusions, the motion should be denied and the case tried on its merits."

It is obvious that no such rule was followed in the present case.

Instead, the lower court rendered a summary judgment based upon a misapplication of the doctrine of *stare decisis*. This doctrine requires that a previous decision be followed in a subsequent case in so far as the evidence is the same, but it does not require that the previous decision be followed where the evidence is different. The evidence in the instant case was so vastly different from that in *Leishman v. Associated Wholesale Electric Co., supra*, that the *Associated* decision was no longer applicable, yet the lower court nevertheless followed that former ruling.

It is axiomatic that a court cannot tell what the evidence in a new case is going to be until the evidence is all in. It follows, then, that *stare decisis* can never be applied in the absence of a trial unless the litigants admit in advance that the evidence would be the same as in the former case. In the instant case, however, the lower court based its *summary* judgment upon the doctrine of *stare decisis*, notwithstanding appellant's insistence on a full trial in order to bring out all the pertinent evidence.

Despite the Oklahoma decision that appellees' devices infringe the claims here at issue, despite a record vastly different from that in the *Associated* case, and despite all the precautions urged by the courts regarding summary judgments and the application of the doctrine of *stare decisis*, the lower court nevertheless cut appellant off without a trial and gave appellees a rubber stamped decision based upon this court's opinion in the *Associated* case.

In order that this Honorable Court may be fully apprised of the gross impropriety in granting the motion for a summary judgment, we shall now more fully discuss the matter of the former decision and what effect, if any, it has in *this* suit.

The Issue of Infringement as Affected by the Former Decision and the New Evidence.

a. THE FORMER DECISION AND APPELLEES' ADMISSIONS SIMPLIFY THE ISSUE.

Appellant and appellees agree that appellees' tuners are the same in all essential respects as the Crosley tuner involved in the case of *Leishman v. Associated Wholesale Electric Co.*, 137 F. (2d) 722. The affidavit of Samuel S. Mackeown, submitted by appellees in support of their Motion for Summary Judgment, says:

“Insofar as the subject matter of Reissue Letters Patent No. Re. 20,827 is concerned, these three tuning units (Exhibits 1 and 2, Exhibits 3 and 4, and the Crosley tuner Exhibit A) are identical.” [R. Vol. I, p. 31.]

Two of the three elements in the Crosley tuner were held by this Honorable Court to be the equivalents of the corresponding elements in the reissue patent here in suit.

The third element in the Crosley tuner was held not to be the equivalent of the corresponding element shown in the patent. But when that decision was rendered, this court did not have the benefit of any evidence to show that these elements were already well known in the art as proper substitutes or mechanical equivalents at the time of the grant of the patent. This evidence is now supplied in the present record, and all three elements can therefore be shown to be the equivalents of the corresponding parts of the patented structure.

Before we can discuss these parts, it will first be necessary to become familiar with the device set forth in the patent.

b. DESCRIPTION OF THE PATENTED DEVICE.

The court is doubtless familiar with radio receivers in which the stations may be tuned in by pressing keys or buttons. This type of tuning is called *automatic* tuning. Many automatic tuners merely operate or actuate the regular tuning shaft that would otherwise be turned by the manual tuning knob, and they are therefore sometimes referred to as *actuators*. The patent at issue [R. Vol. II, p. 169] pertains to this kind of a device.

Inasmuch as this type of tuner or actuator merely turns the regular tuning member to the proper angular position required to bring in a given station, it follows that such an actuator could also be used to turn the control shaft or knob of other mechanisms. Accordingly, the patent says that one of the purposes of the invention is "to provide simple apparatus for turning dials, shafts and the like to the particular settings required in using an instrument or machine for a definite task; . . ." [R. Vol. II, p. 169, column 1, lines 11 to 15].

The operation of some machines required the turning of more than one dial or knob. In order that his mechanism might also perform this double task, the inventor provided for the inclusion of an extra set of some of the parts. This second object of his invention was mentioned in the clause immediately following the one quoted in the previous paragraph. This second clause reads: "to afford means whereby a *plurality* of such rotatable elements may be simultaneously turned each to a pre-selected position which may be different from that to which any other such element is being turned." [R. Vol. II, p. 169, column 1, lines 15 to 19.]

When applying appellant's invention to radio receivers, it is necessary to position only *one* shaft. In the broadcasting of television programs, it is possible to broadcast the pictures and the sound on totally different, unrelated frequencies or dial readings. Such programs may be

tuned in by the arrangement having the double set of parts for turning a *plurality* of shafts. These two different adaptations of appellant's invention are mentioned in the objects as follows: "to make it possible for a single manual operation to tune *either* a radio set or a television set, or *both*." [R. Vol. II, p. 169, column 1, lines 28 to 30.]

For the court's convenience, the patent drawings have been reproduced on the opposite page.

Inasmuch as the accused tuners and the claims at issue are concerned only with *radio* tuning, we are interested only in the parts required for turning a single shaft to a predetermined angular position. Referring to Fig. 1, the specification says that shaft S "may be considered as connected to a radio tuning device" [R. Vol. II, p. 169, second column, lines 23 to 25]. In order to operate this shaft, the device illustrated in the drawings includes a member 48, shown attached to shaft S by pin 52. For easy identification, member 48 has been colored green. It may also be seen in Fig. 2. This member moves like the treadle of an old-fashioned sewing machine, and is referred to in the specification and in the claims at issue as a *rocker*. The drawings also show a second rocker 54, but this second rocker is only employed when a second shaft is to be positioned.

Inasmuch as shaft S is connected to the regular radio tuning shaft, the rocker 48 will assume different angular positions according to what station is tuned in. A given tilt of the rocker thus corresponds to a given station. The job of the other parts of the automatic tuner is therefore to correctly *position* the rocker for the different stations. The element that actually does this positioning is referred to in some of the claims as a *positioning element*. This element is member 61, colored red in Fig. 2, and shown in contact with the rocker. It is referred to in the specifications and in claims 7 and 8 as a *tappet*.

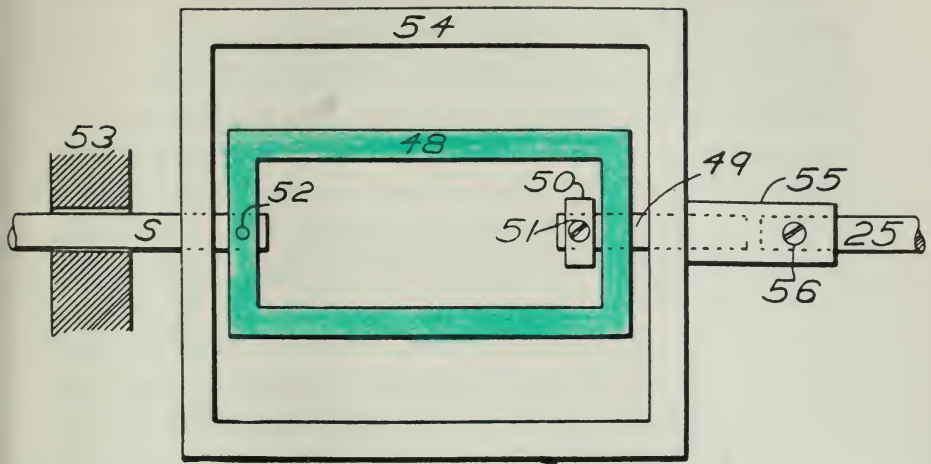


Fig. 1

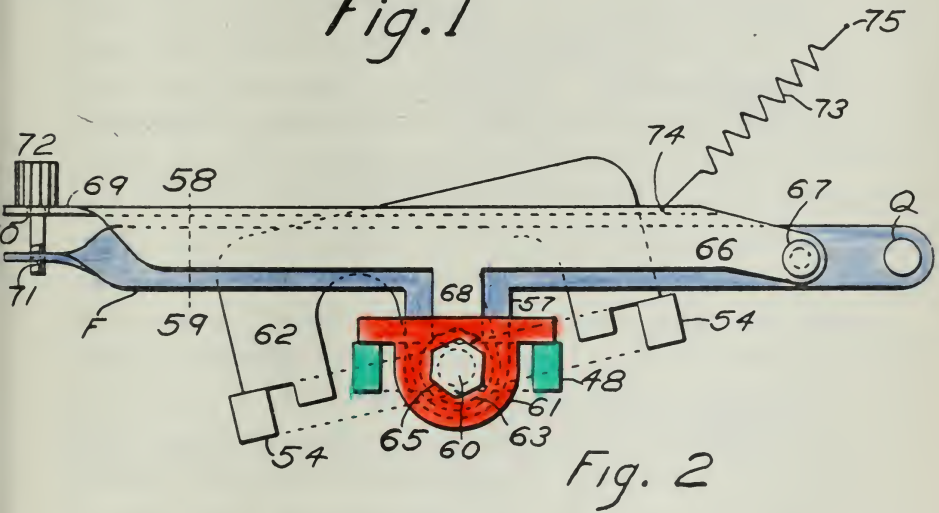


Fig. 2

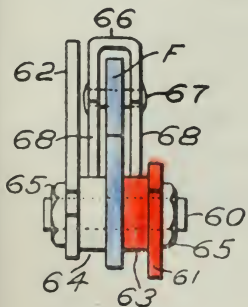


Fig. 3

INVENTOR.

Le Roy J Leishman

Some kind of an operating member must be provided to carry the positioning element, or tappet, 61 and move it in and out of engagement with the rocker. In the illustrative embodiment shown in the drawings, the positioning element is therefore pivoted by means of pin 60 to a short plunger 57 extending from a lever F. In order for the positioning element properly to position the rocker, the positioning element or tappet must be adjusted and fixed on its pivot in the same angular position that the rocker is to assume. Thumb screw 72, which is threaded into the outer end 71 of lever F, is then tightened in order to clamp projection 68 of lever 66 against the hub 63 of the tappet. (*See Fig. 3, p. 15.*)

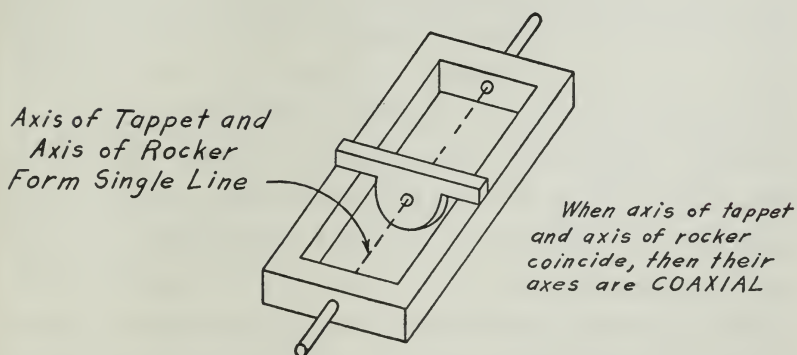
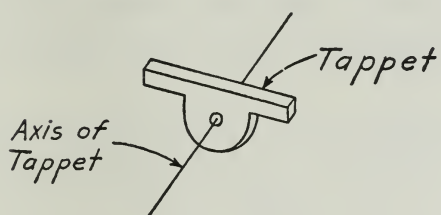
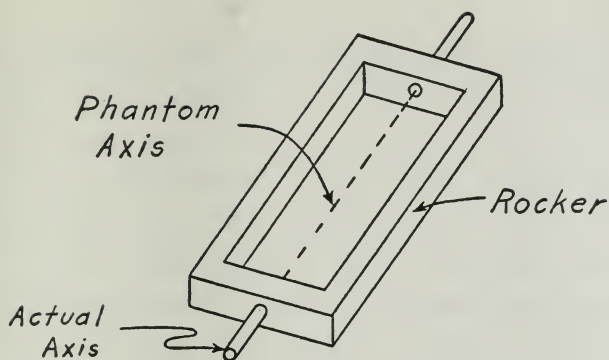
When the tappet is to be initially set for a given station, the set screw 72 must be loosened so that the tappet will be free to turn. The station is then carefully tuned in by the regular manual knob (not shown). This causes the rocker to assume an angular position which is specific to that station. If the freely pivoted tappet is then pressed into firm engagement with the rocker by means of the thumb screw or operating button 72, the tappet will assume the same tilt as the rocker. Thumb screw 72 is then tightened to lock the tappet in this adjusted position.

After the positioning element 61 has been set for the desired station, the operator may remove his finger from button 72, and spring 73 will cause the operating member to move up so that the positioning element will be out of the way of the rocker, which will then be free to turn to other angular positions as other stations are tuned in.

Whenever the button 72 is again pressed down, the positioning element will engage the rocker in whatever angular position it may be found, and the positioning element will rotate the rocker and position it to the exact tilt required to bring in the station for which the positioning element has been set. On page 17 hereof, the top figure shows the tappet completely out of engagement

In Fig. 2 of the patent drawings (page 15 of this brief) both arms of the positioning element are shown in engagement with both arms of the rocker. It will be seen that the axis of the tappet is then coaxial with the axis of the rocker. Specific attention is called to this fact in the specification of the patent [R. Vol. II, p. 170, column 1, lines 30 to 34] where it says: "When the lever assembly is all the way down, it will be observed from Fig. 2 that the pin 60 is substantially co-axial with the rockers 48 and 54, which means that in this position it is also co-axial with shafts S, 49 and 25, shown in Fig. 1." This substantial coaxial relationship of the rocker and tappet in the tuned-in position is very important. That is the reason it is clearly shown in the drawings and stressed right at the end of the specification in the patent.

On page 19 of this brief, the positioning element and the rocker are shown disassociated from the rest of the apparatus. In the ^{central} top figure, the axis of the tappet is indicated. The ^{tapp} central figure shows how the rocker is cut away where its axis is located. The axis of rotation is of course still there, and it might consequently be referred to as a phantom axis. In the tuned-in position shown in the lower figure, the axis of the tappet is seen to be coaxial with the axis of the rocker. When this relationship does not prevail, peculiar difficulties are encountered when trying to adjust the loosened tappet to the proper angular position required for a given station: but when these parts have the coaxial relationship called for in the patent, no difficulties are encountered.



C. PLAINTIFFS' AND DEFENDANT'S TUNERS COMPARED
WITH THE ACCUSED TUNER IN THE ASSOCIATED
CASE.

It has already been pointed out that appellees allege, and appellant agrees, that the appellees' tuners are the same in all essential respects as the Crosley tuner involved in the *Associated* case, *supra*. Mention has also been made of the fact that this Honorable Court held that two of the three elements of the Crosley tuner were equivalents of the corresponding elements of the patented structure, but that the third element was held not to be an equivalent. Let us identify these elements in the respective tuners in order to learn how much of the former decision is applicable by virtue of the doctrine of *stare decisis*.

On the ^{folding} ~~adjoining~~ insert, ^{between pp. 50 & 51,} appellant's tuner is shown at the top, with the Crosley tuner just below. Appellees' tuners are shown on either side of the Crosley structure. The figure at the left is taken from plaintiffs' Exhibit 1 [R. Vol. I, p. 12] and represents the tuner made by appellee Radio Condenser Company, and the figure at the right is taken from Plaintiffs' Exhibit 3 [R. Vol. I, p. 13], representing the tuner of appellee General Instrument Corporation. All of the rockers in these various tuners have been colored green and the tappets red. No explanation or argument is required to show that the appellees are correct in contending that their tuners are the same in all essential respects as the Crosley tuner discussed by this court in the *Associated* case. In so far as this court's prior decision may be properly adopted in this case, it applies with equal force to appellees' tuners.

The decision in the *Associated* case will be better understood if we first apply a couple of the claims at issue to the tuners made by appellees and the Crosley Corporation. The claims, of course, point out the portions of the structure shown in the patent that embody the invention of the patentee.

Claim 7 begins: "In combination with the tuning mechanism of a radio apparatus, . . ." This is the preamble of the claim and states the kind of mechanism with which the combination is intended to be used. The rockers, shown in green (see insert) in the Crosley tuner and in appellees' tuners are all connected to the tuning mechanism of a radio apparatus. Plaintiffs' Physical Exhibits 2 and 4 each combine the tuning mechanism and the automatic tuner or actuator into a single unit.

"a rotatable rocker mounted upon a shaft operatively connected with said mechanism . . ." This is the rocker shown in ~~red~~^{green} in each of the tuners. An examination of Plaintiffs' Physical Exhibits 2 and 4 show that the shaft attached to the rocker is operatively connected with the aforementioned tuning mechanism, which is a variable condenser.

". . . said rocker having two arms each extending on a different side of said shaft; . . ." In all of the tuners shown on the ~~adjoining~~^{between pp. 50 and 51} insert, these arms are the portions shown in green on each side of the open portion of the rocker.

". . . means adjustably movable about a pivot and acting upon bodily movement in one direction to slidably engage either arm of said rocker . . ." This is the first portion of the description of the positioning element

or tappet. This element is shown in red in each of the figures. Appellant's adjustably movable means is adjustably movable about the pivot 60, and in each of the other three tuners the adjustably movable means is adjustably movable about the pivot 9. In each of these tuners, when the adjustably movable means moves bodily in the direction of the rocker, it will slidably engage whichever arm of the rocker is in the closest position. This can be either arm of the rocker, depending upon the tilt that the rocker happens to have at the time of such engagement.

“. . . and push it in one direction to an angular position at which the movement of said rocker is arrested by the collision of said means and the oppositely moving other arm of said rocker; . . .” This is a further description of the action of the tappet with respect to the rocker. The tappet in each of the tuners behaves in this precise manner. In appellees' tuners, the positions illustrated on the insert between pages 50 and 51 are in each case the angular position at which the movement of the rocker, shown in green, is arrested by the collision of the tappet means (red) and the oppositely moving other arm of said rocker (the first arm being the one that was first engaged).

“. . . and a spring for holding said means in a normally inoperative position;” This is spring 73 in the patent drawing and spring 13 in the other tuners. In each case the function of the spring is to hold the tappet in a normally inoperative position in which it is out of engagement with the rocker.

“. . . said rocker constructed so as to admit at least a portion of said means between said arms.” This is the opening in the rocker to admit a portion of the adjustable means between the rocker arms so that the axis of the ad-

justable means may become coaxial with the axis of the rocker.

That is all of claim 7. It clearly does not include either a lever nor a plunger as an element of the combination. Aside from the spring, it calls only for the rocker and the tappet,¹ the elements shown on page 19 of this brief.

All of the elements of the claim are thus present in the plaintiffs' tuners, each functioning and constructed in the prescribed manner.

Like claim 7, claim 8 does not include the manual operating member as an element of the claim. It thus calls for neither a lever nor a plunger as an element of the combination. The difference between claims 7 and 8 is in the last clause and in the additional description of the rocker in the qualifying disclaimer on the back of the patent. The last clause of claim 8, instead of mentioning the opening in the rocker, specifies that the axis of the adjustable means must be "substantially co-axial with the axis of said rocker when said means is in engagement with both of said arms" (of the rocker).

Claims 9, 10 and 11 are substantially the same as claims 7 and 8 excepting that claims 9, 10 and 11 include a manual operating member. These claims do not specify what kind of a member this must be, because the tappet and the rocker do the real work of the combination, and it makes no difference to these elements whether the tappet is moved by a lever, a plunger, a wheel, a link, a pull-chain, or some other means.

¹The term "tappet" is seldom used in the industry. This element is usually referred to as a *cam*, *striker plate* or *disc*. The term "means adjustably movable about a pivot" has more significance than any of these shorter terms, especially when accompanied by a detailed description of what it does, as in claim 7.

When all of the elements of the claims at issue are present in the accused structure, each functioning in the manner prescribed, the usual criterion for infringement is fully met.

In the *Associated* case, this court held that the rocker and tappet of the accused device were the equivalents of the respective corresponding elements of the tuner shown in the patent, but it said that if the reissue claims “do not include levers, the claims are not for the same invention as the original patent and hence are invalid. If they do include levers, the claims are not infringed, for the accused device contains no lever.” Despite this conclusion, the court nevertheless recognized that the claims would still be infringed if the plungers were equivalents of the levers. So the court considered this question, but ruled that “the plungers and the levers are not equivalents.”

The record in the *Associated* case contained no prior art tuner patents to establish that plungers and levers were well known equivalents for operating automatic tuning devices. The vastly different record in the present case contains an abundance of irrefutable evidence on this score. Whether or not the original patent defined a combination that did not specify a lever is thus superfluous, but appellant nevertheless desires to double-clinch his case by showing that the original patent did define a combination in which a lever was not included.

d. THE STATED OBJECTS AS WELL AS ORIGINAL
CLAIM 5 DESCRIBED THE INVENTION WITHOUT
REFERENCE TO LEVERS.

When the original patent was applied for, levers and plungers were already optional equivalents for operating automatic tuners as well as for operating a wide variety of other devices. As this court knows, it is merely required that a patent show an illustrative embodiment of an invention. The doctrine of equivalents automatically extends the meaning of the terms of the claims to include the mechanical equivalents of the forms shown.

Fully mindful that a lever was only one alternative means for operating his combination, the patentee used the term *lever* in his specification proper only when he was describing the specific embodiment shown. [The specification of the original patent, R. Vol. II, p. 175, is identical to that of the reissue.] In all other parts of the explanation of his invention he used broad terms. Right in the objects he sought to preempt his right to any kind of a manually operable member by referring to the operating element in terms so broad that they cannot possibly be construed as referring just to a lever. On page 1, column 1, lines 19 and 20 of the original patent [R. Vol. II, p. 175], the term is "a simple manually operated control." In the same column, line 23, the reference is to "a single manual operation." This same term recurs in lines 28 and 29. In lines 31 and 32, it is "a definite manual operation." In the next column, line 8, in referring to the use of his invention for tuning in both sound and television, the patentee again uses the term "a single manual operation." The specification then begins to describe the specific embodiment illustrated.

Nowhere in the objects, where one must look for a patentee's intentions, do we find any reference whatever to a lever. The terms were clearly chosen to forestall the possibility of anyone's getting the idea that he intended to be confined to any specific kind of a manually operable member.

That the patentee did not regard any particular kind of an operating member as essential, is definitely shown by original claim 5 which did not even mention any kind of an operating means as an element of the combination. Claim 5 was confined to the rocker, the tappet, and a spring for moving the tappet to an inoperative position. This claim was directed to the same elements as re-issue claim 7, analyzed on preceding pages of this brief. Re-issue claim 7 describes these elements in greater detail, but the operating member is not included either in original claim 5 nor in reissue claims 7 and 8.

Claim 5 of the original patent thus set forth a combination that did not include a lever. But in quoting the claims and arriving at the statement that “No leverless combination is disclosed or claimed in the original patent” (137 F. (2d) at p. 726), the court omitted claim 5, explaining in footnote 12 (at p. 725): “For reasons heretofore stated, the patent is construed as if claim 5 had never been included therein.” The reason given for its omission was that this claim had been disclaimed from the re-issued patent. Although it has already been shown that the recited objects gave ample evidence that any kind of a manually operable member was contemplated, appellant contends that claim 5 should also have been considered, and that in construing the original patent for determining the patentee’s intent, the patent should have been construed just as it actually appeared when it issued from the Patent Office.

As indicated in footnote 7 of this court’s prior decision, the idea of omitting claim 5 when considering the original patent, grew out of the Supreme Court decision in *Altoona Publix Theatres v. American Tri-Ergon Corp.*, 294 U. S. 477, 491, which said that the disclaimer therein “speaks from the date of the original patent.” The disclaimer there discussed was a qualifying disclaimer which did not disclaim the claim in its entirety, but sought to limit its scope. The Supreme Court merely meant that for purposes of holding an infringer, a claim must be considered as if the limitations set forth in a limiting disclaimer had been in the claim right from the start. It is well known that a qualifying disclaimer does not merely apply after the date of the disclaimer, but that its limitations must be considered even when applying the claim to alleged infringements that took place between the date of the patent and the date of the disclaimer. This Honorable Court followed that practice when applying the claims as modified by a disclaimer in *Payne Furnace & Supply Co., Inc., v. Williams-Wallace Co.*, 117 F. (2d) 823. This is the way in which a disclaimer speaks from the date of the original patent.

The patent sued upon in the *Altoona* case was not a reissue patent. It was an original patent. When the Supreme Court said that the qualifying disclaimer speaks from the date of the *original* patent, it consequently referred to the very patent to which it was attached. A claim appearing in an original patent, regardless of what may happen to it thereafter, can without question be used for the purpose of determining what the patentee intended to claim. The Supreme Court never said anything to controvert this obvious, axiomatic statement. In the *Altoona* case, the Supreme Court decided an entirely different question.

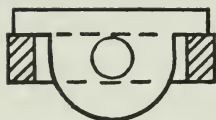
There are two ways of getting rid of an invalid claim: by a disclaimer, or by a reissue. Patents are reissued right along without some of the original claims; in fact, all of the original claims are frequently dropped and the patent reissued with an entirely different set of claims. If the patentee's intent is to be determined solely from the original claims that are not discarded, then an original patent all of whose claims are dropped must be construed as indicating that the patentee never intended to claim anything. If a patentee's intent is to be determined from the face of the original document, as the rule requires, then that face must be considered in its original unaltered state. Suppose that the defendant had suspected somewhat earlier that his claim 5 might not be valid and that he had therefore omitted it when the reissue was obtained. Clearly the claim could then be examined for evidence of his original intent. Why is it of any less value for this purpose if it is disclaimed after the reissue?

This court's interpretation of the *Altoona* decision creates a situation in which a patentee cannot disclaim one of his original broad claims from a reissue patent without retroactively affecting the validity of the reissue itself. Surely this court did not intend to render an opinion that would have this effect.

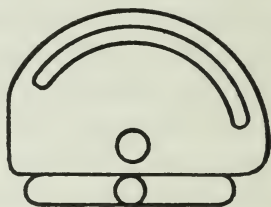
Let us see what Leishman actually relinquished through his disclaimer of claim 5.

This claim was broad in two ways: Inasmuch as it was immaterial what kind of a member be employed to impart motion to the tappet, claim 5 omitted the operating member entirely when listing the elements that were essential. In this respect it was in harmony with the broad objects as set forth in the original patent, and its breadth in this regard was proper. But the claim was also very broad in its description of the rocker and the movable means or tappet that engages the rocker.

When the patent was reissued, the patentee retained his original broad claim 5, which was directed to a single rocker and the tappet, but he added the group of much narrower claims 7 to 12. Like claim 5, they made no mention of a lever, but they were differentiated from claim 5 by the recitation of structure having to do with the coaxial relationship between the rocker and the adjustable positioning means in the completely engaged position. The only new claims in the reissue patent that mentioned the operating member at all, did so in broad terms like those which the patentee used in setting forth his intent in the objects of the original patent.



Coaxial



Noncoaxial

Claim 5 was broad enough to include both of these.

Appellant later learned that claim 5 read upon a device of the prior art. This device contained a rocker and a tappet, and claim 5 read upon it because this claim did not set forth any of the novel structural features that distinguished Leishman's coaxial tappet and rocker combination from the prior art. The claim was broad enough not only to include the type of rocker and tappet set forth in

the patent specification and drawing, but also to include rocker and tappet combinations like that shown at the right on page 28, in which there is no provision for one of these members to rest within the other in order to obtain the advantages of substantial coaxiality. Claim 5 accordingly had to be disclaimed, but the other leverless claims—claims 7 to 11—contained the necessary limitations and were consequently retained.

The disclaimer of claim 5 had nothing whatever to do with the fact that it did not contain a lever. If the patentee had been trying to disclaim leverless claims he would have disclaimed claims 7 to 11 also.

The effect of disclaiming any claim is merely to disclaim whatever that claim sets forth that is in excess of what is set forth in the claims that are retained. The disclaimer statute Sec. 4917 (U. S. C., title 35, sec. 65), says:

“Whenever, through inadvertence, accident, or mistake, and without any fraudulent or deceptive intention, a patentee has claimed more than that of which he was the original or first inventor or discoverer, his patent shall be valid for all that part which is truly and justly his own, provided the same is a material or substantial part of the thing patented. . . .”

In disclaiming claim 5, the patentee thus disclaimed any combination of a rocker and tappet that did not contain structure set forth in the other claims that were retained—regardless of whether the tappet is moved by a plunger or a lever or anything else, since this claim did not mention the operating member at all. Among the claims retained, were claims 7 to 11. Of these, claims 7 and 8 do not call for the operating means as an element of the combination; while claims 9, 10 and 11 describe this member in broad terms similar to those used in the objects of the original patent.

These objects in the original patent contained no limitation to a lever. Original claim 5 did not include a lever. The patent was reissued with seven leverless claims. After

the disclaimer of claim 5, the reissue patent still contains six leverless claims.

In their inclusion of leverless combinations, the original and reissue patents have thus all along been for the same invention. This is manifest on the faces of the documents themselves without regard to any of the new evidence.

e. THE REQUIREMENTS WITH RESPECT TO
EQUIVALENTS.

After expressing the conclusion that the reissue claims must be interpreted as including levers if they are to be for the same invention as the original patent, this court in the *Associated* decision recognized that the claims would still nevertheless be infringed if the accused tuner contained the equivalents of the elements in appellant's combinations. It accordingly considered whether such equivalents were present.

In this regard, the decision said at page 727: "It (the Crosley tuner) has a rocker which is the equivalent of appellant's rocker 48." This is the rocker utilized when the tuner is to be used for radio alone. The decision next stated: "It has no rocker 54 nor any equivalent thereof." Rocker 54 is employed when the tuner is used also to tune in television programs. Inasmuch as this second rocker is not included as an element in any of the claims at issue, the fact that a given tuner does not include this rocker has no bearing upon the matter of the infringement of *these* claims.

The court next said: "It (the accused tuner) has tappets each of which is the equivalent of appellant's tappet 61." This is the tappet that cooperates with rocker 48 in the claims at issue. The court then remarked: "It has no tappet 62 nor any equivalent thereof." Like the second rocker, this second tappet is only employed when the tuner is used for a dual purpose. This second rocker is not included as an element in any of the claims at issue, and the court therefore did not say that this omission had any significance to the issue of infringement.

Inasmuch as this court held that the rocker and tappet of the Crosley tuner were equivalents of the corresponding elements in the patent, this is also true of the appellees' tuners, for it has already been pointed out that appellees themselves contend that their devices are patentwise the same as the accused tuner in the *Associated* case.

Immediately following the portion last quoted, the *Associated* decision said: "It [the accused tuner] has no lever of any kind or character. Its tappets are operated (made to engage the rocker) by means of plungers. The plungers perform a part, and only a part, of the function performed by appellant's levers F and 66." In this regard footnote 17 stated that appellant's levers also operated a second tappet, and that the latter function was not performed in the accused device. The court did not say, nor could it have done, that the failure of the plunger to move a second tappet would in any way avoid the infringement of a claim not calling for a second tappet. The court rather said: "The part so performed is not performed in the same way, or in substantially the same way. Hence the plungers and the levers are not equivalents."

In the *Associated* case, there was nothing in the record to show that these two ways of moving tappets and other objects had long been used alternatively in the art, and that they were therefore equivalents. Moreover, the briefs presented in that case in behalf of the manufacturer were to the effect that the plunger method of operation originated with the Crosley Corporation. There was nothing in the record to prove otherwise, for all the tuner patents in the record of that case happened to show only levers as operating members. The court accordingly ruled that moving the tappets by means of plungers was not the equivalent of moving them by levers.

The prior art patents and other evidence presented in the present record in opposition to Plaintiffs' Motion for Summary Judgment, show that plungers and levers were

long known as mechanical equivalents in the art and that they were even used alternatively for the specific purpose of moving tappets.

In order that we may understand the significance of this new evidence, let us see what criteria the levers and plungers must meet to be considered proper substitutes—that is, full and complete mechanical equivalents under the law.

The doctrine with respect to equivalents was settled long ago in the Supreme Court case of *Seymour v. Osborne*, 11 Wall. (78 U. S.) 516, at 556, 20 L. Ed. 33 at 42, wherein the Court said:

“* * * Mere formal alterations in a combination in letters patent, however, are no defence to the charge of infringement, and the withdrawal of one ingredient from the same and the substitution of another which was well known at the date of the patent as a proper substitute for the one withdrawn, *is a mere formal alteration of the combination if the ingredient substituted performs substantially the same function as the one withdrawn.*” (Emphasis supplied.)

In the instant case, the function of the lever and the function of the plunger are not merely *substantially* the same; they are *identical*. The function in both cases is to move the tappet. The question then becomes, was a plunger “well known at the date of the patent as a proper substitute” for a lever.

In *Imhaeuser v. Buerk*, 101 U. S. 647, 656, 25 L. Ed. 945, the Supreme Court reiterates its well-established doctrine on this point, as follows:

“Pressure in a machine may be produced by a spring or by a weight; and where that is so, the one is a mechanical equivalent of the other. Cases arise also where a rod and an endless chain will produce the same effect in a machine; and where that is so,

the constructor in operating under the patent may substitute the one for the other, and still claim the protection which the patent confers. Exactly the same function in certain cases may be accomplished by a lever or by a screw; and where that is so, the substitution of the one for the other cannot be regarded as invention.

“Patentees of an invention consisting merely of a combination of old ingredients are entitled to equivalents, by which is meant that *the patent in respect to each of the respective ingredients comprising the invention covers every other ingredient which, in the same arrangement of the parts, will perform the same function, if it was well known as a proper substitute for the one described in the specification at the date of the patent.* Hence it follows that a party who merely substitutes another old ingredient for one of the ingredients of the patented combination is an infringer if the substitute performs the same function as the ingredient for which it is so substituted, and it appears that it was well known at the date of the patent that it was adaptable to that use.” (Emphasis added.)

In “Patents,” subtitled “A Text-Book Compilation of the Patent Decisions of the Supreme Court of the United States,” written by Beirne Stedman, LL. B., copyrighted in 1939 and published by The Michie Co., Charlottesville, Virginia, the settled doctrine with respect to when one element of a combination is the equivalent of another element, is stated as follows (section 194, p. 478):

“The extent to which either the inventor of a device or of an entire machine, or of a mere combination, can invoke the aid of the doctrine of equivalents, is the same, except that a combination is not infringed unless by a machine containing all of the material ingredients patented, *or proper substitutes for one or more of such ingredients*, well-known to

be such at the time when the patent was granted. Hence, the rule that the use of less than all of the elements of a combination does not constitute infringement is subject to the qualification that they must not be used in connection with a known equivalent for the omitted element. *By an equivalent in such a case it is meant that the ingredient substituted for the one withdrawn performs the same function as the other, and that it was well known at the date of the patent securing the invention as a proper substitute for the one omitted in the patented combination.*" (Emphasis added.)

f. THE PRESENT RECORD PROVES APPELLEES' PLUNGERS ARE THE EQUIVALENT OF THE LEVER SHOWN IN THE PATENT.

These controlling decisions of the Supreme Court and Stedman's digest of all Supreme Court decisions on this point, are very clear and definite. We know *exactly* what requirements the plunger must meet in order to be the equivalent of the lever. If they both perform the function with which we are here concerned—that of moving the tappet—and it was well known when the patent was granted that plungers and levers could both be used for such a purpose, then they are equivalents.

Now let us see if the evidence shows that plungers and levers were well known equivalents for such uses when the patent was granted.

Suppose we start with the patent right at the top of the list cited by the plaintiffs as constituting the most pertinent prior art. This list will be found in the complaint [R. Vol. I, p. 9]. The first patent on this list is No. 290,894, issued December 25, 1883, to Kettell. A copy of this patent appears in the books of exhibits [R. Vol. II, p. 177]. This patent is for a clock-setting mechanism, which, like the re-issue patent in suit, is concerned with the problem of rotating a shaft to a definite

position. Before electrically operated clocks came into wide use, it was customary to equip clocks in business institutions with an arrangement whereby they were automatically set to the correct time every hour by means of an electrical impulse transmitted over wires. The Western Union operated such a service, and the clocks were all set by an impulse transmitted from the U. S. Naval Observatory in Washington. In Kettell's clock, as shown on the first page of his drawings, the electrical impulse causes the electro-magnet K, Fig. 1, by means of appropriate intermediate mechanism, to move the lever E (shown in blue) so that the projections or tappets (colored red) that extend to the left will engage the rod D (green), causing it to turn to the position shown in dotted lines. Inasmuch as the rod D is connected to the minute hand, this action causes the minute hand to point straight up to XII. Regarding these parts, Kettell says (p. 1, lines 67 to 74):

"D represents a diametrically-arranged rod secured to or passing through the arbor of the minute-hand, so as to revolve with it.

"E is a vibrating lever, having two projecting arms on the side nearest the arbor of the minute-hand, and which are arranged to operate the rod D when it is necessary to set the clock."

Fig. 2, on the second page of the drawings, *shows a plunger "a" (colored blue) for performing exactly the same function as the lever shown on the first page.* This function is the moving of the tappets (red) to turn the minute hand to the straight up position shown in dotted lines. In this modification, the pins *f* on the disc perform the function of the rod D in the previous figure. Of this arrangement, the patent says on page 2, lines 81 to 83:

"*a* represents a slide [plunger] working in ways *b*, and having lateral arms [tappets] similar to lever F, Fig. 1 [obviously this should be the lever E, be-

cause F is the cam], *it serving the same purpose.*" (emphasis added.)

In this 1883 Kettell patent, we thus have levers and plungers "serving the same purpose," to use the language of the patent itself, and this purpose happens to be *the very same purpose* served by the levers and plungers with which we are concerned in this suit. Kettell uses either *levers* or *plungers* to move the *tappets* (the projections) that engage the *rocker* (the rod D or the disc g).

Levers and plungers were thus known as equivalents right in this same shaft-positioning art as far back as 1883, and the patent even *says* they serve the same purpose. For at least 53 years, then, levers and plungers have been known equivalents for performing such functions as those with which we are here concerned. And in the case of Kettell, the levers and plungers were even used to move tappets. *See insert →*

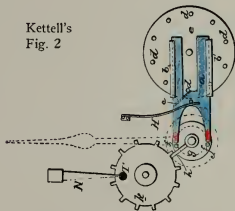
This Kettell patent was not in the record of the *Associated* case.

The Peck patent, No. 1,865,704 [R. Vol. II, p. 237] issued July 5, 1932, is another U. S. patent that shows the use of plungers for performing the function of the levers illustrated in appellant's patent. The drawings of the Peck automatic radio tuner will be found on pages 238 and 240 of the Book of Exhibits. In the Peck patent, as in that of Kettell, both plungers and levers are illustrated right in the drawings.

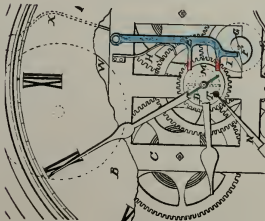
When Peck's lever 50, shown in blue in Fig. 3, is depressed, the mechanism moves through the intermediate position shown in Fig. 4 to the tuned-in position shown in Fig. 5. It will be observed that two links, 12 and 13, are attached to opposite sides of the disk 11, and that the opposite ends of these links are connected respectively to links 18 and 19. The lower ends of the latter two links are both pivoted at 20 to the lever 40 which moves as a unit with lever 50. As the links are stretched out in response to the downward movement of the operating

THAT PLUNGERS AND LEVERS ARE EQUIVALENTS FOR MOVING TAPPETS WAS KNOWN IN 1883

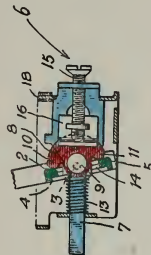
Kettell's
Fig. 2



From Kettell's Fig. 1 (below)



Moving tappets by means of plungers with guides, is the equivalent of moving tappets by means of levers with pivots. This substitution was used by Kettell in 1883. See figures at left.



In substituting the plunger at the left for the lever shown below, the infringer merely substituted a well known mechanical equivalent, as shown by Kettell

Infringement is not averted thereby. See 78 U. S. 516, 20 L. Ed. 53,

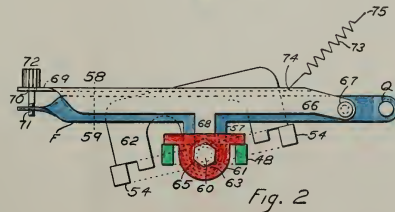


Fig. 2

From Reissue Patent No. Re.20,827

cause F is the cam], *it serving the same purpose.*" (emphasis added.)

In this 1883 Kettell patent, we thus have levers and plungers "serving the same purpose," to use the language of the patent itself, and this purpose happens to be *the very same purpose* served by the levers and plungers with which we are concerned in this suit. Kettell uses either *levers* or *plungers* to move the *tappets* (the projections) that engage the *rocker* (the rod D or the disc g).

Levers and plungers were thus known as equivalents right in this same shaft-positioning art as far back as 1883, and the patent even *says* they serve the same purpose. For at least 53 years, then, levers and plungers have been known equivalents for performing such functions as those with which we are here concerned. And in the case of Kettell, the levers and plungers were even used to move tappets. *See insert →*

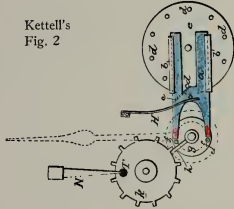
This Kettell patent was not in the record of the *Associated* case.

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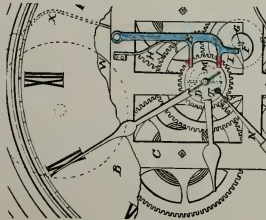
When Peck's lever 50, shown in blue in Fig. 3, is depressed, the mechanism moves through the intermediate position shown in Fig. 4 to the tuned-in position shown in Fig. 5. It will be observed that two links, 12 and 13, are attached to opposite sides of the disk 11, and that the opposite ends of these links are connected respectively to links 18 and 19. The lower ends of the latter two links are both pivoted at 20 to the lever 40 which moves as a unit with lever 50. As the links are stretched out in response to the downward movement of the operating

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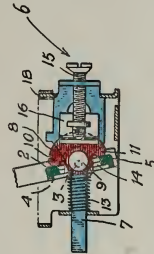
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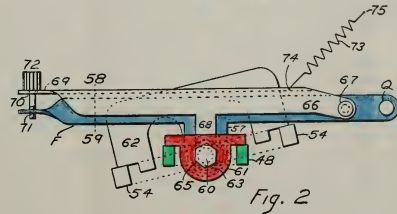


Fig. 2

From Reissue Patent No. Re.20,827

lever, the disk 11 and shaft 10 are turned in a manner that will be obvious from the drawings. When the parts have reached the final position shown in Fig. 5, the position of the disk will always be the same. The station that will then be tuned in will depend upon the angular position of the disk with respect to the shaft. This relative angular position is fixed when the tuner is "set" or adjusted so that each of the series of operating members will bring in a pre-determined station. Regarding this setting operation, the Peck specification says (page 2 of the patent, lines 48 to 54):

"In order to effect a positioning of the shaft at any desired angle, adjustment of the disk 11 with respect to the shaft 10 is permitted by mounting the disk 11 for free rotation thereon, the disk 11 being locked to the shaft at any desired position of adjustment by means of a set screw 25."

Inasmuch as plungers and levers were well-known equivalents for transmitting motion to various parts of a mechanism at the time when Peck's specification was written, and had been used in this art since the last century, it was not necessary for him to mention that his apparatus could be operated by plungers. He merely says (page 2 of the patent, lines 69 to 76):

"*Various expedients may be adapted to cause the downward movement of the pivot 20.*" (It will be obvious from an examination of Figs. 3, 4 and 5 that it makes utterly no difference what is used to move the pivot 20 downward.) "In Figure 2 the pivot 20 is carried on the armature (plunger) 30 of the solenoid coil 31 so that, when the solenoid is energized and the armature 30 drawn therein the pivot 20 is pulled downwardly, effecting the actions heretofore described." (Emphasis and parenthetical explanations added.)

On page 3, lines 4, 5 and 6, Peck makes another brief reference to this arrangement, as follows:

“As an alternative for the manually actuated keys, the electrically actuated mechanisms as shown in Figure 2 may be adopted.”

In the instant case, appellees' use of a plunger instead of a lever was the mere substitution of one well-known mechanical equivalent for the other in the same manner and for the same purpose illustrated in the Peck patent. This is graphically shown on page 39 of this brief, where Peck's Figs. 3, 5 and 2 have been reproduced. In Peck's device, the pivot 20 is alternatively placed on a lever (Fig. 3) or a plunger (Fig. 2), in accordance with his statement that “Various expedients may be adopted to cause the downward movement of the pivot 20”.

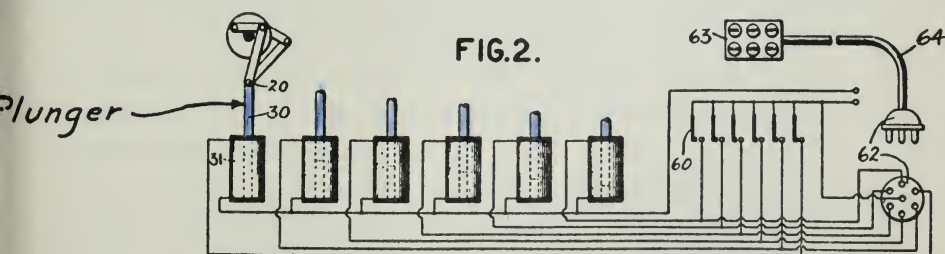
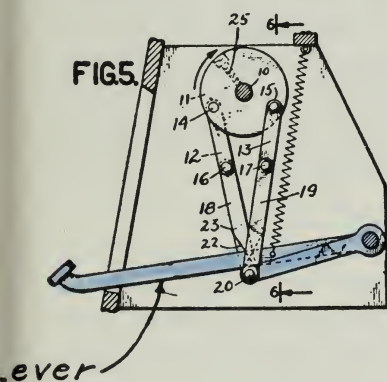
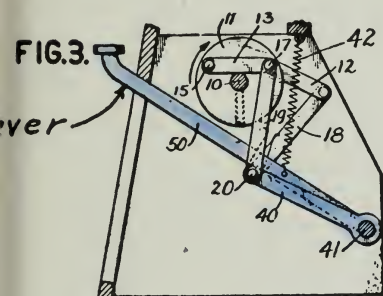
In the device of the reissue patent in suit, as shown on page 15 hereof, the tappet 61 is pivoted on the extension 57 of the lever F by means of a pin 60. The reprint from Plaintiffs' Exhibit 3 shows the tappet 8 of the accused device pivoted on the plunger by means of the pin or rivet 9. In one case the tappet is moved by a lever, and in the other case the tappet is moved by a plunger. The function is thus identical in both instances.

The Peck patent was not in record of the *Associated* case.

For another illustration of the well-known equivalency of levers and plungers for the purposes with which we are concerned, let us take the Danish patent No. 52,047, issued August 11, 1936, to the N. V. Philip's Glowlamp Factory. A copy of this patent, certified by the U. S. Patent Office, is present in the Book of Exhibits on pages 253, 254 and 255, and a certified translation will be found in the Book of Exhibits on pages 247 to 252, inclusive.

Figures 1 and 2 from this Danish patent are reproduced on the insert between pages 42 and 43, together with an additional figure showing a modification described in the Danish patent but not shown in the drawings.

PECK 1932 PATENT SHOWS PLUNGERS AND LEVERS USED AS EQUIVALENTS



Figs. 2, 3 and 5 from the 1932 Peck Patent, show the substitution of a plunger in Fig. 2 for the lever in Figs. 3 and 5.

Similarly, the Appellees merely substituted a plunger for a lever in Appellant's combination.

"A party who merely substitutes another old ingredient for one of the ingredients of the patented combination is an infringer, if it appears that it was well known at the date of the patent that it was adaptable to that use." 101 U. S. 647, 655.

Beginning at the bottom of page 248 of Volume II of the record, the translation describes the construction and operation of the Danish tuner as follows:

“In the working plan shown in Fig. 1, a number of curved discs are placed upon the shaft which is to be adjusted; for simplicity’s sake only one is shown in the drawing. Each of the curved discs cooperates with a plunger 3, disposed in the plane of the disc which is at right angles to the shaft 1, the plunger being guided in a stationary member 5. On the end of plunger 3 is placed a button 6; when this button 6 is pressed, the plunger is shifted; and a spring 7, placed between this button 6 and the stationary member or frame 5, serves the purpose of bringing plunger 3 back to rest position when the button 6 is released. The periphery of the curved disc 2 is so formed that whenever a roller 3a, or something similar, is placed on the end of the plunger, it collides with the curved disc and creates a force, or moment, that causes shaft 1 to turn. Any form of periphery which satisfies this condition may be utilized.”

* * * * * * * *

“In this working plan, shaft 1 will by each adjustment always be turned in the same direction. If this is not necessary, a purposely heart-shaped form, as shown in figure 2, can be used instead of the spiral-shaped periphery of the curved disc.

“In the figures 2 and 3 there is shown a shaft 1, which is to be adjusted, and a number of heart-shaped curved discs 2. Cooperating with these curved discs are a number of levers 4 which are advantageously located on a common shaft 9 which is parallel to shaft 1. The free ends of the levers are linked with plungers 3 which can be moved down in frame 5 by means of the buttons placed on their

upper ends. The return movement occurs as in the working plan shown in figure 1 by means of springs 7. When one of the plungers 3 is moved downward, it will cause the lever 4, which is connected thereto, to be turned around shaft 9, until it is tangential with the corresponding curved disc 2 and thereby turn it and shaft 1 to a predetermined position which, in the form shown, is determined by lever 4 touching the curved disc at two points."

The second of these three paragraphs quoted from the Danish translation, says that heart-shaped discs may be used in the device of Fig. 1 instead of the spiral shaped type when it is not necessary that the shaft always be turned in the same direction. If such a heart-shaped disc is used in the device of Fig. 1, we will have the arrangement shown at the left of Fig. 1 on the insert between pages 42 and 43. The difference between this form and the form shown in Fig. 2, lies only in the fact that the roller 3a (acting as a tappet, and shown in red) is pivoted to a plunger (blue) in the figure at the left, and to a projection on the lever (blue) in Fig. 2.

The substitution illustrated and described in the Danish patent is precisely the same substitution of a well-known mechanical equivalent that appellees have made in appellant's structure. The Danish patent teaches that a tappet can be mounted either on a lever or a plunger to operate an automatic tuner. Appellees have made this same substitution by mounting their tappet upon a plunger instead of a lever as shown in appellant's patent.

The Danish patent was not in the record of the *Associated* case.

The three patents already discussed proved beyond any doubt that it was well known in this art when appellant's patent was granted, that plungers could be used as substitutes for levers in the operation of automatic tuners, and even for the specific purpose of moving tappets. The Supreme Court has repeatedly said, and never rendered a

decision to the contrary, that infringement cannot be avoided by omitting one element from a patented combination and substituting another that was well known as a proper substitute when the patent was granted. (See quotations from the Supreme Court and from Patents by Stedman on pages 32, 33 and 34 of this brief.)

Various other examples of the use of plungers for operating automatic tuners will be found in the prior art patents in the Book of Exhibits.

The Bast patent, in Vol. II, pages 186, *et seq.*, was issued in 1928. As will be seen in Fig. 2, page 186, it used a single plunger, 12, colored blue, which had an end that served as a tappet. Different stations could be tuned in by pushing this plunger into the various holes 12 so as to engage the rockers 6.

The Bast patent was not in the record of the *Associated* case. Aside from Leishman's own patents, the Exhibits in that action contained only three automatic tuner patents. These were the Schaefer, Flaherty and Marschalk patents in the then Defendant's Exhibit J. All of these were operated by levers. Inasmuch as a court can take judicial knowledge of its own records, it might be pertinent to state that these prior art tuner patents in the *Associated* case will be found in that record in Volume III, pages 585, 605 and 639 respectively.

On page 190 of the present Book of Exhibits, the court will find another patent describing a prior art tuner that was operated by plungers. This patent issued to Marvin in 1929. It employed a series of plungers 2, 3, 4, 5, 6 and 7—one for each station.

The British patent to Freytag, beginning on page 201 of Volume II, shows a whole series of operating plungers in Fig. 3 at the lower left of page 204. Many other plungers, identified by the numeral 15, appear in other figures.

The court did not have the benefit of this Freytag patent when the *Associated* decision was rendered.

Figure drawn according
to modifications explained in
Danish Patent No. 52,047.

Figs. 1 and 2 from Danish Patent No. 52,047,
issued Aug. 11, 1936.

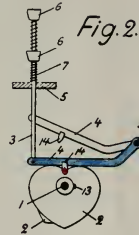
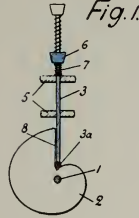
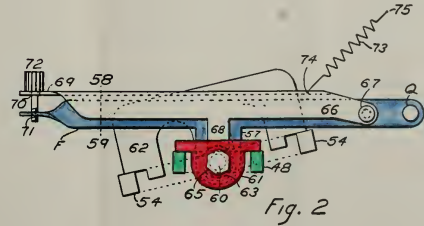
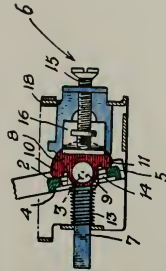


Fig. 2, left, from Danish Tuner Patent
No. 52,047, shows the roller (red) mounted
upon a lever, while Fig. 1, from the same
patent, shows the roller 3a mounted upon a
plunger.

Figs. 1 and 2 from the
Danish Patent, reproduced
above, show that it was
known in 1936 that a plun-
ger could be substituted for
a lever in an automatic tun-
ing mechanism.



Appellees' coaxial rocker and tappet combination (left) is the equivalent
of Appellant's coaxial rocker and tappet combination (right).

Operating this combination by a plunger instead of a lever does not avoid
infringement

The Gerdes patent [R. Vol. II, p. 208] did not disclose an automatic tuning device, but, like the patent in suit, is dealt with the problem of turning rotatable shafts to predetermined angular positions. The Gerdes patent was issued in 1902. Each of the plungers 8, Fig. 1, carried a tappet 10, Fig. 2. This patent was not in the record of the *Associated* case.

Pages 223, 224 and 225 of the record herein are reproductions of a certified copy of a German patent issued to the internationally known firm of Siemens & Halske. It is preceded in the record by a certified translation, beginning on page 218. This patent, issued in 1926, was concerned with the same problem presented in automatic tuners—the problem of turning rotatable shafts to predetermined angular positions. As in the Kettell device, previously described, the German instrument was used for setting clocks. The complete plunger will be seen in the lower figure on page 225. The operation of the device will doubtless be clear from the eight upper figures. Each plunger carries two tappets 2 and 3. This German device thus affords another example of the well-known use of plungers for moving tappets and positioning shafts before the patent at issue was granted. The court did not have the benefit of this patent when it rendered the *Associated* decision.

The Jacke Patent, page 228 of the Book of Exhibits, was issued to the Philco Corporation in 1942 on an application filed in 1928. Its operating plungers 11 can be clearly seen in Figs. 1, 2 and 3. This patent was not in the record of the *Associated* case.

In addition to the above patents, the present record contains sixteen other exhibits showing the alternative use of plungers and levers for operating well known devices and instruments. These are consecutively numbered from 1a to 16b and are attached together in one document according to the stipulation approved on page 166

of Volume I of the Record. The affidavit of LeRoy J. Leishman [R. Vol. I, p. 46] certifies that all of the things shown in these sixteen exhibits were in existence before February 15, 1938, which was the issuing date of original Patent No. 2,108,538 that was reissued as the patent in suit.

The evidence herein presented proves beyond any possibility of refutation that appellees' plungers are the equivalents of the levers of the reissue patent, according to the formula for mechanical equivalents laid down by the Supreme Court and discussed on pages 32, 33 and 34 of this brief. To reiterate one sentence of the Supreme Court decision in the *Seymour v. Osborne* case, *supra*:

"Mere formal alterations in a combination in letters patent, however, are no defence to the charge of infringement, and the withdrawal of one ingredient from the same and the substitution of another which was well known at the date of the patent as a proper substitute for the one withdrawn, is a mere formal alteration of the combination if the ingredient substituted performs substantially the same function as the one withdrawn."

Inasmuch as appellees' plunger performs not merely "substantially the same function," but *identically* the same function, and was well known as a proper substitute for the lever described in the specification at the date of the patent, the plunger is thus a proper substitute, or the mechanical equivalent, of the lever. *This is not a matter of opinion. It is a fact; but a fact that was not shown in the record before this Circuit Court of Appeals when its decision was rendered in the previous case.* In the light of this newly presented evidence, the former decision regarding the plunger and the lever is no longer controlling; and no possible holding can now be made, consistent with this evidence, excepting that the plunger is the equivalent of the lever.

“That Which Is Common and Well Known Is as If It Were Written Out in the Patent and Delineated in the Drawings,” Says the Supreme Court.

The new evidence presented is significant to the matter of infringement in yet another way. In *Carnegie Steel Co. v. Cambria Iron Co.*, 185 U. S. 403, at page 437, the Supreme Court said:

“* * * The specification of the patent is not addressed to lawyers, or even to the public generally, but to the manufacturers of steel, and any description which is sufficient to apprise them in the language of the art of the definite feature of the invention, and to serve as a warning to others of what the patent claims as a monopoly, is sufficiently definite to sustain the patent. He may assume that what was already known in the art of manufacturing steel was known to them, and, as observed by Mr. Justice Bradley, in *Webster Loom Co. v. Higgins*, 105 U. S. 580, 586, ‘He may begin at the point where his invention begins, and describe what he has made, that is new, and what it replaces of the old. *That which is common and well known is as if it were written out in the patent and delineated in the drawings.*’” (Emphasis added.)

Inasmuch as we have shown that plungers and levers were well known equivalents, the appellant’s patent must consequently be considered as if the use of a plunger for moving the tappet “were written out in the patent and delineated in the drawings.” Appellees can thus not possibly escape the charge of infringement on the ground that they have used a plunger instead of a lever for moving the tappet.

All the additional evidence now presented, and which was not before the Circuit Court of Appeals when it rendered the previous opinion, even changes the interpretation that is to be placed upon the *original* patent.

The Supreme Court doctrine that "that which is common and well known is as if it were written out in the patent and delineated in the drawings," of course applies to the *original* patent as well as to the reissue; and it can therefore no longer be held that the disclaimer of claim 5 from the reissue had the effect of removing the evidence that levers are not required; for even if the Circuit Court was correct in disregarding claim 5, the patent itself must be construed as if the use of a plunger for moving the tappet "were written out in the patent and delineated in the drawings."

Not only is this doctrine the law of the land, it is just plain common sense that necessarily underlies patents generally. If every patent had to illustrate and describe every known equivalent for each of the elements of each of the claims, all patents would be twice or three times their present length and many would comprise volumes.

A Former Decision Is Stare Decisis as Far as the Evidence Is the Same; But Where the Evidence Is Different, a New Decision Must Be Rendered.

It is of course unnecessary to cite decisions to the effect that the opinion of this court in the earlier case should be followed on matters regarding which the facts and the record are substantially the same, as we find in the instant action with respect to the rockers and tappets. It may be well, however, to cite cases dealing with the proposition that on matters on which the evidence is different, as regards the equivalency of the levers and plungers, a new decision must be rendered on the basis of the new evidence. The Second Circuit Court of Appeals, in dealing with new evidence, said:

"The plaintiff has appealed from a judgment dismissing its complaint with respect to a charge of infringement of Design Patent No. 125,540. By amended answer the defendant set up that the patent

had been held invalid by this court in the case of Gold Seal Importers v. Morris White Fashions, 2 Cir., 124 F. 2d 141, and moved for judgment on the pleadings. The motion was granted on the ground that the validity of the patent had been decided adversely to the plaintiff in that case. But obviously that decision cannot be pleaded as *res judicata* in a suit against a different infringer not in privity with Morris White Fashions. *Nor is it a precedent which the district court was bound to follow, unless the evidence pertinent to the issue of validity is the same in both cases.*" (Emphasis added.) *Gold Seal Importers, Inc., v. Westerman-Rosenberg, Inc.*, 133 F. 2d 192, C. C. A. 2.

Because of the presence of new evidence in the foregoing case, the very Circuit Court that had rendered the previous opinion remanded the case to the District Court for a determination of the issue on the basis of the new evidence. In the instant case, the new evidence is incontrovertible and this court should therefore render a new decision in conformity therewith.

Neither the Circuit Court of Appeals nor the Supreme Court considered even a former decision of the Supreme Court itself to be binding with respect to the same patent when new evidence was introduced and one of the litigants was different. Said the Supreme Court:

"In *Smith v. Snow* (1935) 294 U. S. 1, 55 S. Ct. 279, 79 L. Ed. 721, we held the patent valid and infringed. *But in that case the Hastings prior use was not presented or considered.* * * *

"The decrees of the District Courts rejecting the defense were reversed by the Court of Appeals for the Second Circuit, *Smith v. Hall*, 83 F. (2d) 217, *Smith v. James Mfg. Co.*, 83 F. (2d) 221, which found prior use by Hastings." (Emphasis added.) *Smith v. Hall et al., Same v. James Mfg. Co. et al.*, 301 U. S. 216 at 218, 57 S. Ct. 711 at 712.

Each of the three District Courts mentioned in the two cases above quoted, were held to be wrong in following a decision of a Circuit Court of Appeals or even of the Supreme Court when new evidence was presented with respect to the same patent. A single new item of pertinent evidence in the two *Smith* cases was sufficient to cause the Supreme Court to affirm the Circuit Court in its new decision which was at variance with the one rendered by the Supreme Court in the previous case in which this single item of evidence "was not presented or considered," as the Supreme Court put it.

In the instant case, appellant has presented not a mere *single* item of new evidence, but *numerous* items, *each* of which is *alone* sufficient to prove that levers and plungers were known equivalents when the original and re-issue patents were issued, and moreover, that they were known equivalents in this very art. The Circuit Court's previous opinion regarding the patent here at issue must therefore be modified with respect to the plungers in the accused devices.

Claims 7 and 8, which did not include the operating member, have already been applied to the accused tuners. Now that it has been established that plungers were known as operating members when the patent was granted, it may be well also to apply the other claims to appellees' devices.

Claim 9 reads: "In a mechanism for angularly positioning a control of a radio device, a combination including: . . ." The plaintiffs' tuners obviously qualify as mechanisms of the type described in this preamble.

". . . a rotatable rocker comprising two shoulders lying on opposite sides of the axis of said rocker; . . ." These shoulders are the opposite sides of the rocker shown in green in the various figures of plaintiffs' devices. This element in the Crosley tuner in the *Associated* case was held by this court to be the equivalent of the correspond-

ing element of the patent. Appellees admit that their tuners are like the Crosley tuner. (*See insert after p. 50.*)

“ . . . and a manually movable operating means comprising an adjustably mounted positioning element . . . ” This means is the subassembly consisting of the plunger and the adjustably mounted positioning element or tappet 10.²

In the qualifying disclaimer printed on the back of the patent [R. Vol. II, p. 172] the adjustably mounted positioning element is further described as “so adjustably mounted that it may be fixed and maintained in its adjusted position irrespective of repeated operations of said operating means.” This is the obvious reason for the adjustable mounting of the positioning element in the appellant’s tuner as well as in those manufactured by appellees.

“ . . . adapted upon movement of said means in one direction to engage one shoulder of said rocker and rotate said rocker to a position at which the movement of said element is arrested by the collision of said element and the oppositely moving other shoulder of said rocker;” This is a further description of the positioning element, or tappet. Inasmuch as appellees allege that their tuners are the same as the Crosley tuner whose tappet was held to be the equivalent of the tappet in the reissue patent, it follows that appellees’ tappets are also responsive to defendant’s claims.

“ . . . said rocker constructed to permit at least a portion of said means to pass beyond a line connecting the points on said shoulders at which the shoulders are contacted by

²In the footnote on page 23 of this brief, it was pointed out that the term “tappet” is seldom used in the industry, and that this element is usually referred to as a *cam*, *striker plate* or *disc*. Appellant believes that the term “adjustably mounted positioning element” is far more accurate and descriptive than any of these other terms, because this element *positions* the rocker and *it must be adjustably mounted*.

said means.” This is additional description of the rocker. It has already been established that appellees’ rockers are equivalents of the rocker of the patent.

Claim 10. “In a mechanism for angularly positioning a control of a radio device, a combination including: a rotatable rocker comprising two shoulders lying on opposite sides of the axis of said rocker; . . .” This part of claim 10 is the same as the first part of claim 9, which has already been applied to appellees’ tuners.

“ . . . a manually movable operating member;” Appellees’ tuners obviously contain *a manually movable operating member*. It has been shown that appellees’ plungers are proper substitutes for the levers shown in the patent, and that they were well known as such before the date of the patent.

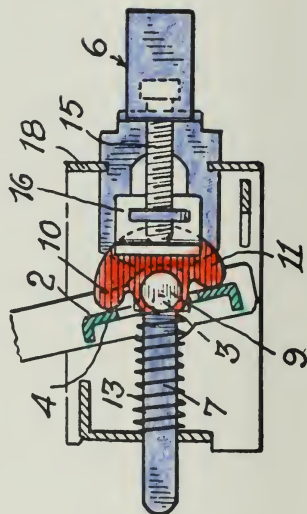
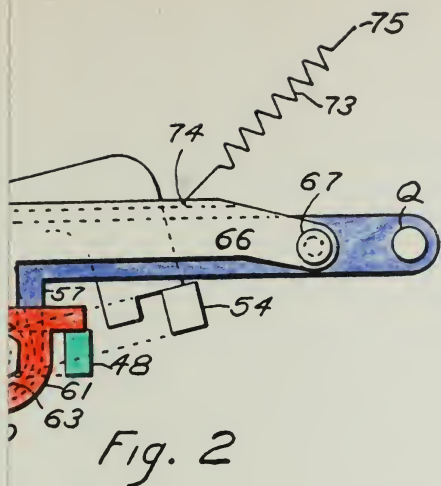
The balance of claim 10 describes the rocker and tappet. These need not be discussed, because appellees’ entire structures are admitted to be the same as the Crosley tuner in which this court held the rocker and tappet to be equivalents of those shown in the patent in suit. The qualifying disclaimer qualifies the adjustable mounting in the same way as in claim 9.

Claim 11 is substantially like claims 9 and 10 excepting for the fact that it calls for an additional element, the “means operable from the external end of said member for holding said element in adjusted position.” This is the screw identified in Plaintiffs’ Exhibits 1 and 3 by the numeral 15 [R. Vol. I, pp. 12, 13]. It is obviously operable from the external end of the plunger member.

Like claim 7, claim 11 is not modified by a qualifying disclaimer.

All the claims at issue are manifestly infringed.³

³The U. S. District Court for the Western District of Oklahoma rendered its decision in the aforesaid Oklahoma case after a full trial at which appellant presented the same ten prior art patents and 16 other exhibits that are a part of the instant record. The



Above, drawing of appellee General Instrument Corporation tuner from the complaint, R. Vol. I, p. 13.

Bottom center, drawing of Crosley tuner from the complaint herein, R. Vol. 1, p. 14.

said means.” This is additional description of the rocker. It has already been established that appellees’ rockers are equivalents of the rocker of the patent.

Claim 10. “In a mechanism for angularly positioning a control of a radio device, a combination including: a rotatable rocker comprising two shoulders lying on opposite sides of the axis of said rocker; . . .” This part of claim 10 is the same as the first part of claim 9, which has already been applied to appellees’ tuners.

“. . . a manually movable operating member;” Appellees’ tuners obviously contain a *manually movable operating member*. It has been shown that appellees’ plungers are proper substitutes for the levers shown in the patent, and that they were well known as such before the date of the patent.

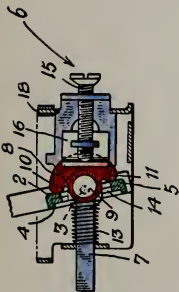
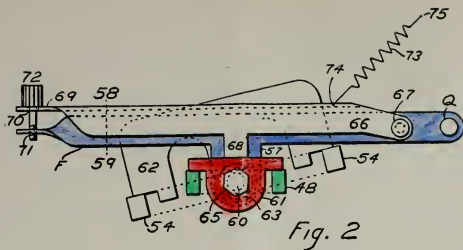
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Like claim 7, claim 11 is not modified by a qualifying disclaimer.

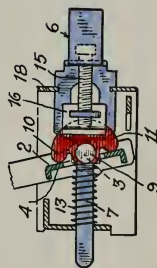
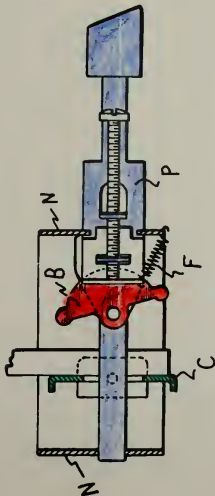
All the claims at issue are manifestly infringed.³

³The U. S. District Court for the Western District of Oklahoma rendered its decision in the aforesaid Oklahoma case after a full trial at which appellant presented the same ten prior art patents and 16 other exhibits that are a part of the instant record. The



Top center, drawing from
appellant's patent.

Above, drawing of appellee
Radio Condenser Company
tuner from the complaint.
R. Vol. I, p. 12.



Above, drawing of appellee
General Instrument Corporation
tuner from the complaint.
R. Vol. I, p. 13.

Bottom center, drawing of
Crosley tuner from the
complaint herein, R. Vol. 1, p. 14.

In view of the now established equivalency of the plungers and levers, this court's former decision should not have been followed by the lower court. However, it is now this court's province to say that the doctrine of *stare decisis* cannot apply.

"The rule of *stare decisis* is not so imperative or inflexible as to preclude a departure therefrom in any case, but its application must be determined in each case by the discretion of the court, and previous decisions should not be followed to the extent that error may be perpetuated and grievous wrong be the result." 21 *Corpus Juris Secundum*, page 322.

If the issue of infringement were to be reconsidered at a trial, no evidence could possibly prove that a plunger was not well known as the equivalent of a lever when the patent was granted. This Honorable Court should therefore reverse the lower court on the matter of infringement instead of remanding the case for a trial of this issue. If the case were remanded, any decision made by the lower court would merely come back to this court on appeal. A ruling should therefore be made at the present time that plungers were well known in the art as substitutes

following pertinent findings of the Oklahoma court may therefore be of interest [R. Vol. I, p. 53 *et seq.*]:

6. Claims 7, 8, 9, 10 and 11 of the reissue patent No. 20,827 are clearly valid, and clearly infringed due to the use of tuning devices in the following radio receiver sets manufactured by said Galvin Manufacturing Corporation and sold by defendant: Models 25F, 26C, 26C-7, 27D, 28-O, 30-P, 29-B, and 29B-6. This finding is made without any regard to any commercial success which plaintiff's tuners have attained.

11. The tappet or positioning element described in plaintiff's reissue patent No. 20,827 may be mounted either on a lever or a plunger to move the tappet, since a lever and a plunger perform their functions in the same way and are mechanical equivalents.

12. The finding 11 is based not only upon the evidence offered on behalf of plaintiff, but also upon the direct testimony of defendant's expert, Dr. Spotts, who testified to the effect that the substitution of plungers for levers is a simple

for levers in automatic tuning devices and even for the specific purpose of moving tappets, and that appellees cannot avoid infringement by omitting one element of the combination and substituting another that was well known as a proper substitute at the time of the grant of the patent.

There is another very good reason why this court should rule now on these matters relating to levers and plungers. Counsel for appellees have filed another declaratory judgment suit in this same district against appellant on behalf of another manufacturer, Civil Action No. 5781-Y, setting forth that it manufactures a tuner that is patentwise the same as the Crosley tuner. In the trial of that suit, the District Court should have the benefit of this court's opinion in the light of the new evidence, on the effect of operating appellant's combination with a plunger.

one in the combination covered by claims 7, 8, 9, 10 and 11 of the said reissue patent.

16. The use of plungers for operating mechanical automatic tuners was known long prior to plaintiff's development of his patented structure set forth in the reissue patent in suit.

26. The infringing tuners sold by defendant are exemplified generally by the defendant's exhibits G and H. These infringing devices were manufactured respectively by Radio Condenser Company and General Instrument Corporation, which are the joint plaintiffs in an action now pending in the District Court of the United States, Southern District of California, Central Division, and entitled: Radio Condenser Company and General Instrument Corporation v. LeRoy J. Leishman, No. 4395 B.H.

27. The tuners referred to in Finding 26 do not differ in any essential respect, so far as the question of infringement is concerned, from the tuner manufactured by Crosley Corporation of Cincinnati, Ohio, and which was the accused device in the action entitled LeRoy J. Leishman v. Associated Wholesale Electric Co., tried in the Southern District of California and reported in 36 F. Supp. 804. In said action, the Circuit Court of Appeals for the Ninth Circuit rendered its opinion, reported in 137 F. (2d) 722.

Appellees Are Bound by the Oklahoma Decision Because of Their Participation in the Defense of That Suit.

On June 21, 1946, appellant filed a Motion under Rule 15(d) [R. Vol. I, p. 63 *et seq.*] for permission to file a supplemental answer to the complaint and a second supplemental answer to the counterclaim [R. Vol. I, p. 72 *et seq.*] setting forth the additional defense that appellees herein are bound by the opinion in the Oklahoma case because of their participation in the defense of that action. The Motion under Rule 15(d) was supported by an Affidavit [R. Vol. I, p. 69 *et seq.*]. A copy of the Oklahoma Findings of Fact, Conclusions of Law, and Judgment had already been filed, and a copy will be found in Volume I of the Record, beginning on page 52.

When appellant filed his Motion under Rule 52(b) [R. Vol. I, p. 100] on October 16, 1946, there had not yet been any decision on the Motion under Rule 15(d) filed on June 21, 1946. In the meantime, the Oklahoma record had been transcribed, and the defendant filed a portion of it as his Exhibit 17 [R. Vol. I, p. 103 *et seq.*], in support of both of these motions. The Motion under Rule 15(d) for permission to supplement the answer was denied on December 18, 1946 [R. Vol. I, pp. 133 and 134].

Rule 15(a) of the Rules of Civil Procedure provides that permission to amend the pleadings be freely granted whenever justice so requires. Not only was the additional defense a proper one entitling appellant to a trial, but the documents filed in connection with the motion were alone sufficient to establish the defense. This Honorable Court should therefore instruct the lower court to enter the supplemental pleadings together with a judgment to the effect that appellees herein are bound by the Oklahoma judgment.

If a third party who has the legal right to assume the defense of an action, participates in the control of the

defense of said action in any way, the law provides that such third party is bound by the decision therein. This brief will show that appellees herein not only participated in the control of the defense of the Oklahoma action, but that the said defense was merely a presentation of what was prepared and furnished by the present appellees; and the law will then be applied to the evidence to show that appellees are bound by the decision in the Oklahoma case, and this Honorable Court should so hold.

The manner in which appellees participated in the control of the defense in the Oklahoma action is disclosed in the affidavit of Maxwell James, attorney in patent causes for both appellees; by recorded statements made before the United States District Court for the Western District of Oklahoma by Foorman L. Mueller, counsel for The Richards and Conover Company, defendant in the Oklahoma suit; and by the testimony of the expert witness for the said The Richards and Conover Company. Mr. Mueller's statements and the testimony of the said expert witness are included in the portions of the transcript of the Oklahoma trial constituting Defendant's Exhibit 17 [R. Vol. I, p. 103 *et seq.*].

Mr. Maxwell James, in his affidavit filed in behalf of the appellees [R. Vol. I, p. 66 *et seq.*], says:

"* * * I am and have been for many years the attorney in patent causes for both of the plaintiffs in this suit, namely Radio Condenser Company and General Instrument Corporation."

Mr. James then explains in his affidavit [R. Vol. I, p. 67]:

"(a) On April 2, 1946, Mr. Mueller called deponent on the telephone from Chicago, and informed the deponent that Judge Chandler was compelling Mr. Mueller to go to trial in the Oklahoma suit on Monday, April 29th, and that he, Mr. Mueller, was not fully prepared for trial; that he, Mr. Mueller, did

not have any or many physical exhibits to explain to the Court at such trial; and Mr. Mueller inquired whether deponent was in possession of any physical exhibits that deponent might lend to Mr. Mueller.

“(b) Deponent replied that several years ago, the model maker for Radio Condenser Company had prepared a model of the Marschalk patent and another model showing how the lever device of the Schaefer patent could be substituted for the lever device of the Marschalk patent, to demonstrate that there was no invention in so doing, and that deponent was and had been in possession of these two models for these many years, and that deponent would be glad to lend these models to Mr. Mueller for whatever use they might serve him, to be returned to deponent as soon as possible.

“(c) Pursuant to this discussion, these two models were delivered and loaned to Mr. Mueller.”

According to these admissions of Mr. James, Mr. Mueller “was not fully prepared for trial” and he “did not have any or many physical exhibits to explain to the Court at such trial”, so he called upon Mr. James for help. Mr. Mueller did not need models of the *accused* tuners, for they were commercial models in the possession of his own client. When he referred to “physical exhibits to explain to the Court” he obviously meant physical exhibits to demonstrate the contention that the patent is invalid. As this court well knows, physical exhibits of this kind require a great deal of advance legal work; in fact, the defense that is to be made must be fully decided upon before the exhibits can be prepared, because the purpose of the exhibits is to make the defense clear to the court.

In the *Associated Wholesale Electric* case, involving the patent here in suit, the Ninth Circuit Court of Appeals struck out the portion of the District Court’s opinion which said the patent was invalid for want of invention, so it would have been hazardous for Mr. James to have

depended upon the same defense that was reflected in the stricken portions of the District Court's opinion on that issue. Accordingly, a new defense was decided upon—the defense that the structure of the patent in suit could have been arrived at by taking the mechanism of the Marschalk patent No. 2,072,897 and substituting the lever device of the Schaefer patent No. 1,906,106 for the lever device of the Marschalk patent. Unless one were to rely solely upon the drawings in these patents themselves, the establishment of this defense required four physical exhibits: (1) a model of the Schaefer tuner, (2) “a model of the Marschalk patent and (3) another model showing how the lever device of the Schaefer patent could be substituted for the lever device of the Marschalk patent, to demonstrate that there was no invention in so doing” (quoted from the James affidavit), and (4) a chart showing enlarged figures from the Marschalk, Schaefer and Leishman patents to verify that these models were authentic.

The Schaefer tuner had been on the market, so a *commercial* model could be used for that; but the Marschalk device had never been on the market, and a special Marschalk model therefore had to be constructed, together with another model “showing how the lever device of the Schaefer patent could be substituted for the lever device of the Marschalk patent.”

It is not necessary for the Honorable Judges of this court to be familiar with the Schaefer and Marschalk patents. The important thing is that they were two prior art patents, which we can here just as well think of as patents A and B, and that the defense was to the effect that one could arrive at the structure of Leishman's re-issue patent here in suit by combining parts shown in patent A with parts shown in patent B. After this defense was decided upon, two special models had to be built. The device of patent A had been on the market, so a commercial model could be used for that; but since patent B had never been commercialized, a special model had to be made. And then another model had to be constructed

to show how it was alleged that parts of A could be combined with parts of B in order to simulate Leishman's structure.

Mr. Mueller's telephone call for help found Mr. James well prepared, and the latter's affidavit tells us the two specially constructed models were made by the model maker for Radio Condenser Company and that [R. Vol. I, p. 68] "deponent was and had been in possession of these two models for these many years." Mr. James' affidavit tells us that the "model of the Marschalk patent and another model showing how the lever device of the Schaefer patent could be substituted for the lever device of the Marschalk patent, to demonstrate that there was no invention in so doing" [James' affidavit, R. Vol. I, p. 68] were furnished to Mr. Mueller, pursuant to his telephone conversation [James affidavit, p. 68].

Inasmuch as Mr. James himself refers to one of his models as a "model showing how the lever device of the Schaefer patent could be substituted for the lever device of the Marschalk patent, to demonstrate that there was no invention in so doing", it is clear that the demonstration and use of this model at the trial would *in and of itself* constitute a presentation of the defense for which the model was constructed. To determine whether appellees controlled the defense in the Oklahoma case to the extent that the defense prepared by them was presented at the trial, we thus need only to learn whether these models were used. The certified copy of a portion of the transcript of the said trial [R. Vol. I, pp. 103 to 133], discloses that the defense presented against patent No. 20,827 consisted *entirely* of a demonstration and explanation of the two specially constructed models furnished by the plaintiffs, supported by a chart of enlarged figures from the Schaefer, Marschalk and Leishman patents to which these models pertained.

An examination of the record of the Oklahoma case reveals that the models furnished by appellees were the only specially constructed models introduced by the defense in

that action. As before mentioned, Mr. Foorman L. Mueller was counsel for The Richards and Conover Company, the Oklahoma defendant. In the portion of his opening statement contained in Volume I of the present record, pages 103 to 110 inclusive, Mr. Mueller introduced his various models and other pertinent physical exhibits. The following list shows the models that were introduced with respect to the reissue patent No. Re. 20,827, together with the pages in Volume I of the present record where they are first mentioned:

Defendant's Exhibit G, Radio Condenser Company tuner Model 28, one of the accused devices, page 104;

Defendant's Exhibit H, General Instrument Corporation tuner, another accused device, page 105;

Defendant's Exhibit I, the Crosley tuner involved in the former *Associated Wholesale Electric* case in California, page 105;

Defendant's Exhibit J, a drawing of the Crosley tuner, page 105;

Defendant's Exhibit K, a commercial model of the Zenith tuner, corresponding to the Schaefer patent No. 1,906,106, page 106;

Defendant's Exhibit L. This was the specially constructed model for the Marschalk tuner which Mr. James tells us in his affidavit was made by the Radio Condenser Company and furnished by him. Introduced on page 106;

Defendant's Exhibit M. This model, first mentioned on page 107, was the other model furnished by the present plaintiffs, as Mr. Mueller later tells us.

In introducing Exhibit L on page 106, Mr. Mueller says that it corresponds to Fig. 14 of the Marschalk patent. He further says, "Figure 14 of the Marschal (*sic*) patent shows the lever being operated by an electric solenoid. *We* have no facilities for it, that is, that electric solenoid, so *we*

have merely put a finger button on, and it can be operated by the hand in exactly the fashion that lever can." The word "we", which has been italicized for the purpose of this brief, here includes the Radio Condenser Company, because it was this company, according to Mr. James' affidavit, that built this model. It is significant that Mr. Mueller, in this use of the pronoun "we", thus makes no distinction between appellees here and the defendant in the Oklahoma suit.

As shown by the foregoing list, all of the models introduced by Mr. Mueller, with the exception of Exhibits L and M, were *commercial* models; and L and M were the specially constructed models built for defense purposes and furnished by the present plaintiffs at their expense.

When introducing Exhibit M, Mr. Mueller immediately sets it off from the others and explains its purpose. Beginning at the bottom of page 107, Mr. Mueller says: "For the purpose of this suit *and an explanation as illustrative of the defendant's position on invalidity*, we have a model, Defendant's Exhibit M, which combines, as we will later show, a lever out of the Marschalk patent, a lever out of the Schaefer patent, 1906106, and a rocker or rotary treadle out of the Marschalk patent, 20772897 (*sic*)."¹ In other words, it contained a part of prior art patent A and another part out of prior art patent B.

The affidavit of Mr. James, counsel for both appellees in patent causes, told us what defense argument this model was built to illustrate, and that defense, furnished by appellees, was adopted as the Oklahoma defendant's position on invalidity, for this statement of Mr. Mueller tells us in plain English that he was going to use this model "for the purpose of this suit and an explanation of the defendant's position on invalidity." Mr. Mueller's statement further shows that he knew exactly what prior art devices were supposed to be combined in his Exhibit M. He thus had the benefit of all the legal work that had to precede the conception and construction of this model; the model itself provided him with the means to demonstrate

the ready-made defense; and Mr. Mueller tells us that he intends to use it for that purpose. Except for the formality of asking the questions, Mr. Mueller's work was already done for him.

Now let us see just how this model *was* used and let us learn what defense Mr. Mueller actually presented against patent No. Re. 20,827, the patent in suit in both these actions.

Mr. Mueller's sole witness against this patent was his able expert, Dr. M. F. Spotts, associate professor of machine design at Northwestern University. Inasmuch as the Oklahoma defendant's case would naturally be made in the direct examination, a certified copy of Dr. Spotts' entire direct examination is included in the present Defendant's Exhibit 17. This testimony extends from page 111 to page 133, twenty-two pages in all.

An analysis of these pages shows that Dr. Spotts' direct examination was devoted entirely to a presentation of the defense provided by the appellees here. The first three pages are used to qualify the witness, and Mr. Mueller then asks Dr. Spotts if he is familiar with the Leishman patent No. Re. 20,827 and with the Marschalk and Schaefer patent (representative parts of which were alleged to be combined in Exhibit M, furnished by Mr. James).

The next question, on page 114, is about Exhibit L, the specially built model of the Marschalk device, also supplied by Mr. James, as shown by previous portions of this brief and the James affidavit.

Dr. Spotts is then asked about Defendant's Exhibit K. This was a commercial model of the Schaefer patent, showing one of the parts alleged to be combined in Mr. James' Exhibit M, which was "to demonstrate the defendant's position on invalidity."

Dr. Spotts is next requested to refer to Exhibit Y, a chart showing enlarged figures from the Leishman, Schaefer and Marschalk patents. After discussing this chart in relation to the Schaefer patent and examining Plain-

tiff's Exhibit 30, a model constructed by Leishman according to his patent, Dr. Spotts is asked (bottom of p. 117) to refer to the same chart, Defendant's Exhibit Y, to compare the Leishman rocker and Marschalk rocker, which Dr. Spotts later claimed was substantially reproduced in Exhibit M.

After five pages thus devoted to laying a foundation for the introduction of Defendant's Exhibit M, furnished by appellees, Mr. Mueller on page 118 gets down to Exhibit M, itself. This model is the subject of Dr. Spotts' entire examination for the next thirteen pages—until we get to the bottom of page 131. In the remaining two pages of his direct examination Dr. Spotts confirms the importance of the coaxial relationship which Leishman's claims call for, and he admits that the plunger of the accused device is an obvious substitute for the lever shown in the patent, for he says "a draftsman would make that substitution in the usual line of his work", and "a draftsman does those things every day in the week." At the bottom of page 133—only two pages after the discussion of Exhibit M is ended—Mr. Mueller tells Mr. Flam that he may cross-examine.

Of the eighteen pages of Dr. Spotts' testimony that dealt with defense arguments, five were thus used to explain the chart of enlarged drawings from the Schaefer, Marschalk and Leishman patents, and to show the commercial Schaefer tuner and the specially built Marschalk tuner supplied by Mr. James. The latter specially built model, like the drawings from the Schaefer, Marschalk and Leishman patent, were all necessary in order to lay a foundation for the introduction of Exhibit M, the combination model furnished by Mr. James "to demonstrate the defendant's position on invalidity," as Mr. Mueller put it. The remaining thirteen pages of the above-mentioned eighteen, were all devoted to the latter model.

Regarding this model M, around which the defense was thus built, Mr. Mueller said (see page 122): "I will be

glad to tell where I got it. I borrowed it from counsel for the General Instrument Corporation because they had made up models and I was not able to engage the time of a mechanic to make them myself. These things, the same as papers, are handed back and forth between counsel." A few lines earlier at the top of the same page, Mr. Mueller had said: "If I had been doing it I would have had other models, Your Honor."

But Mr. Mueller was not doing it. The record, the statements of Mr. Mueller and the affidavit of Mr. James all show it was the plaintiffs in the present action who were doing it.

Corpus Juris on Patents, Vol. 48, pp. 406, 407, section 644 (2) in footnote 38(a), states the law with respect to such a situation as follows:

"* * * A person is bound by the decision in a patent infringement suit where, although not a party to the suit, he openly, avowedly, and with the knowledge of plaintiff, assumed, controlled, and conducted, *or participated in*, the defense at his own cost and for his own interest." (Emphasis supplied.)

The courts have recently recognized that no premium should be placed upon a person's ability to keep his participation a secret, and have logically ruled that it makes no difference whether the plaintiff at the time of the trial knew about the participation or not.

"International states the question involved in this appeal thus: May a judgment be *res judicata* as to a person not a party who defended the suit on behalf of the record defendant where such participation was not open and avowed to the knowledge of the plaintiff during the pendency of the suit? This issue, if decided in the affirmative, disposes of International's appeal in this action. Since this court concludes that the answer to the question thus posed is in the af-

firmative, it is unnecessary to go into the question whether the evidence is sufficient to establish that the defendant openly and avowedly defended the suit. . . .” *Caterpillar Tractor Co. v. International Harvester Co.*, 120 F. (2d) 82, at 84 (C. C. A. 3).

The Ninth Circuit Court of Appeals has very clearly stated the circumstances under which a participant is bound. As far as his activities in connection with the suit are concerned, it is not required that he conduct the defense or control the entire defense: it is only necessary that he *aid* in the defense. But there is one other thing apart from his activities that is required. The participant is not bound if he is a stranger to the action: he must *have the right to participate and control the defense*. If he has this relationship to the controversy, then any aid that he may render is sufficient to bind him by the judgment.

In *Hy-Lo Unit & Metal Products Co. v. Remote Control Mfg. Co., Inc.*, 83 F. (2d) 345, at 350, the Ninth Circuit Court of Appeals held that the defendant was not bound by participation in a previous action because it did not make the valves involved in the said previous action. The defendant was thus a stranger to that action and did not have the right to participate and control the defense. To make its decision clear, the Ninth Circuit Court of Appeals very lucidly stated the circumstances under which a participant is bound. Said the court:

“These decisions by the Supreme Court establish the proposition that, in order for a person not formally made a party to a suit to be estopped by the decision therein, he must either be in privity with a party thereto in the strict sense of the term or he must not only *aid* in the prosecution or defense of a suit, *but have the right to participate and control such prosecution or defense.*” (Emphasis added.)

Unlike the participant who this court held was not bound in the *Hy-Lo* case, appellees assert right in the complaint that they manufactured the tuners accused in the Oklahoma action. Therefore no one has denied that appellees had the right to participate and control the defense in that case. They could have assumed the entire defense. Consequently, if they aided in the defense, they are bound by the judgment.

This brief has shown that the appellees did far more than *aid* in the defense in Oklahoma. They were the ones who decided upon the defense that was used. They conceived and built the special equipment that was needed to present and demonstrate that defense to the court. The attorney in patent causes for both of the appellees has admitted in his own affidavit that he supplied this equipment to the defense counsel in the Oklahoma case at the latter's request. The Oklahoma defense counsel has admitted in the record of that case that he received these specially constructed models and that one of them, Exhibit M, was going to be used "to demonstrate the defendant's position on invalidity." The Oklahoma defendant thus accepted the defense that was prepared by the appellees in the present action, and the record shows that this became the *entire* defense, that out of 18 pages of direct defense testimony, 13 pages were devoted to explaining and operating the model that was supplied by appellees to demonstrate the defense, and the other 5 pages were devoted to laying the foundation for its introduction.

Appellees are thus manifestly bound by the Oklahoma decision.

If a person not a party to a suit has the right to participate and control the defense, he may safely take part in the adjustment of damages *after a pro confesso decree has been entered*, but the Supreme Court has permitted no greater participation and has freed only those who have refused to assume *any* control over it.

In *I. T. S. Rubber Company v. Essex Rubber Company*, 272 U. S. 429, at 433, 71 L. Ed. 335, at 338, the Supreme Court said:

“On the appeal the circuit court of appeals stated that the record showed clearly that the Essex Company *refused* to become a party to the suit or assume *any* control over it, and *took no part* in the conduct *or control* of the suit, ‘but only in the adjustment of the damages’ after the *pro confesso* decree had been entered; . . .” (Emphasis added.)

Appellees did not refuse to assume any control over the defense in the Oklahoma case. On the contrary, it was they who decided upon the defense that the patented Leishman structure could be arrived at by combining the teachings of the Schaefer and Marschalk patents. Since no Marschalk tuner was available, they built a model of it in their own plant and therefore at their own expense. They also prepared “another model showing how the lever device of the Schaefer patent could be substituted for the lever device of the Marschalk patent, to demonstrate that there was no invention in so doing.” (James’ affidavit.) When Mr. Mueller phoned Mr. James, patent counsel for appellees, that he, Mr. Mueller, was not prepared for trial, Mr. James supplied the necessary preparation. It was Mr. James’ models that disclosed and demonstrated the defense that was used at the trial, Mr. Mueller merely presented the defense which appellees prepared and which they had implemented with the necessary accoutrements.

Under the law, appellees are bound by the Oklahoma decision, and this court should therefore instruct the lower court to enter the proposed supplemental pleadings and render judgment in appellant’s favor.

**Appellees' Course Requires That the Claims at Issue
Be Held Valid as Applied to Them.**

The complaint states [R. Vol. I, p. 4] that this action arises out of a suit brought by appellant against The Richards and Conover Company in the U. S. District Court for the Western District of Oklahoma, Civil Action No. 2155, alleging infringement of claims 7 to 11 of the reissue patent No. Re. 20,827 through the sale of radio sets embodying the tuners manufactured by the plaintiffs herein. Appellees could of course have intervened at the outset in that suit, and it has already been shown that they did subsequently aid and participated in the defense of that action. The Oklahoma district is fifteen hundred miles closer to the New Jersey residences of both appellees than is the Southern District of California. But the present plaintiffs did not want the case to be tried in Oklahoma: they wanted it tried here in the Ninth Circuit where they expected to benefit from this court's opinion in the *Associated* case, *supra*, through the doctrine of *stare decisis*. In order to change the forum to one of their own choosing, appellees filed the instant Declaratory Judgment suit praying that appellant be enjoined from further asserting "that said Letters Patent No. Re. 20,827, or any claim thereof, has been infringed . . . by radio condensers and tuners which were manufactured and sold by the plaintiffs, or either of them, or installed in radio receiving sets by any of their customers." [R. Vol. I, p. 11.]

Appellees' reliance upon the *Associated* decision in the instant suit is shown from the fact that they set it forth right in the complaint [R. Vol. I, p. 7]. The same paragraph in the complaint also mentioned the lower court's decision in the same case, which said that the claims at issue were invalid for want of invention; but the complaint neglected to mention that the lower court's holding of invalidity was stricken out by this court's opinion on

appeal. Affirming the lower court's judgment on grounds having nothing to do with validity, the appellate court said:

"The judgment declares that the claims 'are invalid for want of invention.' In the view we take, the declaration is unnecessary. As to its correctness or incorrectness, we express no opinion. The judgment is modified by striking therefrom the above quoted declaration and, as thus modified, is affirmed." (137 F. 2d at p. 728.)

The presumption of validity was thus restored to the patent.

Inasmuch as this court set aside the lower court's finding that the patent was invalid for want of invention, it is obvious that the arguments upholding the trial court's opinion were not sufficient to convince this court that the lower court was right, for Rule 52(a) of the Federal Rules of Civil Procedure requires that the findings of a trial court shall not be set aside unless they are clearly in error. Those attacking the validity of the patent in that case were not able to carry the heavy burden of proof that falls upon those challenging the validity of a patent. If mere doubts were raised, it was not necessary for this court to express an opinion, for the well-established rule requires that all doubts must be resolved in favor of the patent. This court did that very thing when it set aside the findings of the lower court by striking out the finding that the claims were invalid for want of invention. This action of the appellate court was thus the same as reversing the lower court on the issue of validity. Claims 7 to 11 are valid in this circuit.

In coming to this circuit in order to benefit from the *Associated* decision through the doctrine of *stare decisis*, and in using this decision as a basis for their Motion for Summary Judgment, appellees have taken a definite posi-

tion and chosen their course of action. They should not now be permitted to take another position inconsistent with the one they have chosen. In this circuit to which they have come, and because of the decision which they urge the courts to apply, the claims are valid. The situation here is analogous to a quasi-equitable estoppel. Appellees should not be heard to challenge the effect of the very decision which they came here to invoke. This court should hold that claims 7 to 11 are valid in so far as these appellees are concerned.

If this Honorable Court should fail to hold that appellees are bound by the Oklahoma decision because of their participation in the defense of that action, then it should hold that claims 7 to 11 of the reissue patent are valid in so far as they apply to these appellees, and that, by virtue of the evidence hereinbefore discussed, the tuners manufactured by appellees are infringements of these claims.

Even though the motion for summary judgment was made by appellees, this court nevertheless has the right to render a decision in favor of appellant.

“If either the proponent of a claim or the defending party moves for a summary judgment, and the court finds that the moving party is not entitled thereto, but that the other party is so entitled, it would seem that the court has the power to enter the proper judgment, although a cross-motion therefor was not made.” 3 *Moore's Federal Practice*, Sec. 56.02, page 3183.

That procedure was followed in *Northland Greyhound Lines, Inc. v. Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America*, 9 Fed. Rules Service 56c.54, Case 1, in which the court made the foregoing quotation from Moore. Judgment was also rendered in favor of the adversary of the moving party in *Hooker v. New York Life Ins. Co.*, 9 Fed. Rules

Service 56c.54, Case 2. In that case, the court quoted Moore as follows:

“Rule 54 (c) gives the court the power to enter the final judgment to which the prevailing party is entitled, even if the party has not demanded such relief in his pleadings, except in default judgment cases. The theory is that the form of the pleadings should not place a limitation upon the power of the court to do justice. So where one party has invoked the power of the court to render a summary judgment against his adversary, it is reasonable that this invocation gives the court power to render a summary judgment for his adversary if it is clear that the case warrants that result. Note 8, 3 *Moore, Federal Practice*, Section 56.02.

If the Issue of Validity Is to Be Tried Appellees Should Be Required to Answer Defendant's Interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18.

Specification of error 7 reads:

“The District Court erred in sustaining appellees' objections to appellants' interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18, requiring data on the volume of appellees' sales to show the extent of the commercial success of appellees' devices.”

The interrogatories to which appellees objected may be found in the record in Vol. I, pp. 21, 22 and 23. These were objected to “on the grounds that the information called for is irrelevant to any issue in this case.” [R. Vol. I, p. 25.] The court sustained appellees' objections [R. Vol. I, p. 26].

The law is well settled that such information is not irrelevant. Commercial success is often the deciding factor on the issue of validity.

In *Dillon Pulley Co. v. McEachran et al.*, 69 F. (2d) 144, at 146, the court said:

“* * * a presumption of validity may arise equally from the commercial success of an infringer as from the commercial success of the patentee or his assigns.”

In *Eibel Process Company v. Minnesota & Ontario Paper Company*, 261 U. S. 45, at 56, 67 L. Ed. 523, at 529, the Supreme Court likewise attaches the same significance to the success of an infringer as to that of a shareholder or licensee. Said the court:

“* * * It can hardly be that dividends on the shares of stock in the Eibel Company, held by the five large companies, would furnish motive enough for them to continue to be licensees, and to use something that was not of great advantage to them in their chief business of making of paper; and certainly no such motive would explain the action of the licensees who are not stockholders, *or that of the infringers*, in continuing to use the Eibel pitch.” (Emphasis supplied.)

Regarding the significance of commercial success in the case of *Research Products Co., Limited, et al. v. Tretolite Co. et al.*, 106 F. (2d) 530, at 532, the Ninth Circuit Court of Appeals said:

“* * * The use of this type of chemical was highly successful and it is estimated that this acid

process had resulted in the recovery of over a billion barrels of crude oil, at a relatively small cost.

“So great and immediate a success speaks strongly of invention, adding emphasis to the strong presumption of invention, raised by the issuance of the patent.”

In its most recent case upholding the validity of a patent, the Supreme Court said:

“* * * Once the method was discovered it commended itself to the public as evidenced by marked commercial success. These factors were entitled to weight in determining whether the improvement amounted to invention and should, in a close case, tip the scales in favor of patentability. Accepting, as we do, the findings below, we hold the patent valid and infringed.” *Goodyear Tire & Rubber Co., Inc., et al. v. Ray-O-Vac Co.*, 321 U. S. 275 at 279, 64 S. Ct. 593 at 595.

Appellees were thus wrong in stating that the information requested in appellant's interrogatories was “irrelevant to any issue in this case,” and the court should not have sustained the objection.

If the issue of validity is to be tried, it is highly important that appellant have the information asked for in these interrogatories, and the lower court should be instructed to require appellees to supply the information requested.

**Summary Judgment Should Not Have Been Entered
in the Instant Case, Especially When It Was in
Direct Conflict With a Decision of Another Fed-
eral Court Rendered After a Full Trial.**

The judgment of the lower court in the instant case is the first summary judgment ever granted in a patent case in direct conflict with the opinion of another U. S. District Court, as far as appellant has been able to learn after an exhaustive search. Such a summary judgment was requested in another case, but there the U. S. District Court for the Northern District of Ohio said:

“Furthermore, although this court cannot in the circumstances say that the issue is *res judicata*, the fact that the patent was approved by a court of competent jurisdiction after full trial (Cold Metal Process Co. v. United Engineering & Foundry Co., D. C., 3 F. Supp. 120) would make it almost presumptuous for this court to declare the patent invalid upon nothing more than a comparison of documents which had been before the other court. * * * Motion overruled.” *E. W. Bliss Co. v. Cold Metal Process Co.*, 47 Fed. Supp. 897 at p. 899.

The basic requirements for a summary judgment are such that it seems unthinkable for a court even to consider the granting of a summary judgment in direct conflict with the decision of another court that was rendered after a full trial. It is well established that a summary judgment should only be granted when all the facts clearly indicate that the opposing party could not possibly prevail if a trial were held. A practical demonstration that such opposing party not only *could*, but actually *did*, prevail after a full trial, should consequently definitely preclude the granting of summary judgment.

In the Second Circuit case of *Doehler Metal Furniture Co., Inc., v. United States*, 149 F. (2d) 130, in which Judge Learned Hand, Judge Frank and Judge Chase heard the appeal, Judge Frank, in rendering the opinion, said (p. 135):

“We take this occasion to suggest that trial judges should exercise great care in granting motions for summary judgment. A litigant has a right to a trial where there is the slightest doubt as to the facts.”

In the instant case, two genuine issues of fact were presented. In defendant's answer [R. Vol. I, p. 15] defendant denied paragraph 8 of the complaint [R. Vol. I, p. 7] which alleged that plaintiffs' tuners did not infringe the claims at issue. This presented a first genuine issue of fact.

A second genuine issue of fact was presented in the affidavit of LeRoy J. Leishman [R. Vol. I, p. 46], filed in opposition to plaintiffs' Motion for Summary Judgment, and accompanied by ten prior art patents and sixteen other exhibits which showed that plungers and levers had long been known as equivalents in this art. Deponent there said that “none of the said exhibits and none of the ten patents presented in support of Defendant's Memorandum Opposing Plaintiffs' Motion for Summary Judgment, were presented in evidence in the case of Leishman vs. Associated Wholesale Electric Company, mentioned in the said memorandum.”

That averment should have made it necessary to follow the new evidence instead of this court's former decision with respect to the equivalency of levers and plungers for operating appellant's combination. That evidence, if genuine, proved beyond any possible doubt that plungers were well known as proper substitutes for levers in this art when appellant's patent was granted. Inasmuch as the

Supreme Court's criteria for mechanical equivalents were thus fully met, the case for infringement was now complete. If there could have been any possible doubt about any of this, then a very genuine issue of fact was presented.

If no doubt existed about the genuineness of the new evidence or about appellant's averment that it was not before this appellate court when it rendered its decision in the *Associated* case, then a decision could only be rendered in appellant's favor and appellees' motion for summary judgment of non-infringement could not be entertained.

If a genuine issue was present, a trial should have been held. In order for appellees to establish the proposition that there was no genuine issue and that the facts were all in their favor, it would have been necessary for appellees to prove (1) that appellant's new evidence was not genuine, or (2) that this evidence was before this Circuit Court of Appeals when it rendered the decision in the *Associated* case. Appellees *could not* and *did not* do either of these things, finding 18 [R. Vol. I, p. 91] to the contrary notwithstanding.

Regarding the moving party's burden of proof, the Eighth Circuit Court of Appeals said:

"On a motion for a summary judgment the burden of establishing the nonexistence of any genuine issue of fact is upon the moving party, all doubts are resolved against him, and his supporting affidavits and depositions, if any, are carefully scrutinized by the court." *Walling v. Fairmont Creamery Co.*, 139 F. (2d) 318 at 322.

To the same effect is the decision of the United States Circuit Court of Appeals for the District of Columbia in the case of *Wittlin v. Giacalone, et al.*, 154 F. (2d) 20 at 21, 22:

“We are impelled to that conclusion because it is well established that one who moves for summary judgment has the burden of demonstrating clearly the absence of any genuine issue of fact, and that any doubt as to the existence of such an issue is resolved against the movant. The courts are quite critical of the papers presented by the moving party, but not of the opposing papers.”

When the moving party has not carried its burden of demonstrating clearly the absence of any genuine issue of fact, the opposing party should never be cut off without a trial.

“Illustrative of the dangers, in this respect, of summary judgment, if not cautiously employed, is a recent case in the court below. There the judge refused to grant summary judgment for defendants, despite a mass of impressive affidavits, containing copies of corporate records, the accuracy of which plaintiffs did not deny in their affidavits, and which on their face made plaintiffs’ case seem nothing but a sham; at the trial, however, cross-examination of the defendants revealed facts, theretofore unknown by plaintiffs, that so riddled the defendants’ case as it had previously appeared on the summary judgment motion that the judge entered judgment against them for several million dollars, from which they did not appeal.”

Arnstein v. Porter (C. C. A. 2), 154 F. (2d) 464 at 471.

In the instant case, between the filing of the motion for summary judgment and the granting of the motion, a practical demonstration was given as to what could happen at a trial involving the very same tuners with which we are concerned in the present action. In addition to other evidence, the following testimony was given by Dr. M. F. Spotts, associate professor of machine design at Northwestern University [R. Vol. I, p. 112], who was the expert witness for the defendant against Leishman in the Oklahoma case of *Leishman v. The Richards and Conover Company* [Defendant's Exhibit 17, R. Vol. I, pp. 131 and 132]:

“A. (By Dr. Spotts) If one wished to use a plunger that would give straight line motion as support for the tappet rather than the pivoted lever which gives motion in the arc of a circle of a rather large radius, draftsmen would have no compunctions about substituting a plunger giving a straight line for the lever, giving an arc of a circle, since the motion is rather small while the tappet is being brought into contact with the rocker. A draftsman would make that substitution in the usual line of his work.

“Q. (By the Court): Easy to do? A. Oh, yes.

Q. It would impose no serious problem where a lever is used and you decided you wanted to use a plunger, to change the design to make it work with a plunger? A. A draftsman does those things every day in the week in his usual line of work.”

Inasmuch as this testimony was actually given *for the other* side at the Oklahoma trial by the associate professor of machine design at Northwestern University, how could the lower court here have felt sure that an equally candid witness for the other side might not make the same admissions if a trial were held in the instant case? *Of course* it could not have been sure. Then it was manifestly highly improper for the court to grant appellees' motion for summary judgment in their favor.

In the recent case of *Associated Press et al. v. United States*, 326 U. S. 1, 6, 65 S. Ct. 1416, 1418, the Supreme Court said:

"We agree that Rule 56 should be cautiously invoked to the end that parties may *always* be afforded a trial *where there is a bona fide dispute of facts between them.*" (Emphasis added.)

In *Sartor et al. v. Arkansas Natural Gas Corporation*, 321 U. S. 620, 627, 64 S. Ct. 724, 728, the Supreme Court said:

"The Court of Appeals below heretofore has correctly noted that Rule 56 authorizes summary judgment only where the moving party is entitled to judgment as a matter of law, where it is quite clear what the truth is, that no genuine issue remains for trial, and that the purpose of the rule is not to cut litigants off from their right of trial by jury if they really have issues to try."

If the new evidence presented by the defendant leaves any vestige of a doubt regarding the equivalency of levers and plungers, clearly there should be a trial.

Conclusion.

This brief has shown by evidence of a nature that cannot be contradicted that plungers were well known in this art as proper substitutes for levers in the operation of tuners and other shaft-positioning devices, and that they were even known as equivalents for levers for the purpose of moving tappets in such mechanism. On the matter of the equivalency of appellees' rockers and tappets to the corresponding elements in the patented structure, this record is the same as that in the *Associated Wholesale Electric* case, and this Honorable Court's holding with respect to these two elements is therefore applicable here. It is thus established that all three elements of appellees' tuners are the equivalents of the corresponding elements shown in the patent. This court should therefore reverse the lower court and rule in harmony with the U. S. District Court for the Western District of Oklahoma to the effect that the tuners here involved are infringements of claims 7 to 11 of reissue patent No. Re. 20,827.

It has also been shown that appellees participated in the defense of the suit brought by appellant against The Richards and Conover Co. in the U. S. District Court for the Western District of Oklahoma, and that appellees are therefore bound by the judgment of that court. This Honorable Court should accordingly instruct the lower court to enter appellant's proposed supplemental answer and render judgment in favor of appellant on the ground that the appellees are bound by the said Oklahoma decision because of their participation in the defense of that suit. This Honorable Court, in so holding, should nevertheless rule upon the matter of the equivalency of the aforementioned plungers and levers as shown by the new evidence,

because such a ruling is important in view of other litigation now before the lower court.

This brief has also shown that appellees, in insisting upon a decision in this forum instead of in the Oklahoma forum which the appellant provided for them, cited the case of *Leishman v. Associated Wholesale Electric Co.*, *supra*, right in the complaint and were thus well aware that this decision restored the presumption of validity to the patent. In coming to this circuit to benefit by that opinion, appellees should be required to accept the situation as they find it, and they should therefore not be heard to challenge the validity of the patent. Inasmuch as appellees urge that this decision be applied, they are thereby precluded from raising the issue of validity. The reissue patent here in suit is consequently valid as far as the appellees are concerned.

Should this Honorable Court fail for any reason to instruct the lower court to hold that appellees are bound by the Oklahoma decision, it should rule, for the reasons stated, that the patent is valid as applied to them; and it should also rule, in accordance with the new evidence, that appellees' tuners are infringements of claims 7 to 11 of the reissue patent.

Should this court for any reason fail to agree that appellees are bound by the Oklahoma decision or that the patent is valid as applied to them, then this court should remand the case to the lower court for a trial upon these matters. In order that these defenses might be made and additional evidence adduced, the lower court should be instructed to enter appellant's supplemental answer to the effect that appellees are bound by the Oklahoma decision, and it should also be instructed to require them to an-

swer Defendant's Interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18. If the case is so remanded, this court should nevertheless rule that the claims at issue, if valid, are infringed, so that the lower court may have the benefit of such ruling and not have to try the issue of infringement all over again.

Should this court feel that the mass of evidence already presented is not sufficient to establish the equivalency of plungers and levers for operating appellant's combination, then this Honorable Court should wipe out the summary judgment and give appellant the additional opportunity that a regular trial affords for bringing out further evidence.

In all events, the summary judgment in appellees' favor should be set aside. It was highly improper to have based such a decision upon the doctrine of *stare decisis* when the new evidence created a record vastly different from that in the *Associated* case. The Oklahoma transcript showed what can happen at a trial, and the court below should never have rendered a summary judgment in direct conflict with the judgment of another court regarding the same devices and the same claims.

Respectfully submitted,

LEROY J. LEISHMAN,

Appellant, in propria persona.

No. 11652.

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

LeROY J. LEISHMAN,

Defendant-Appellant and Cross-Appellee,

vs.

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
CORPORATION,

Plaintiffs-Appellees and Cross-Appellants.

BRIEF FOR PLAINTIFFS-APPELLEES AND OPENING BRIEF FOR APPELLEES AND CROSS-APPELLANTS.

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No. 11652.

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

LEROY J. LEISHMAN,

Defendant-Appellant and Cross-Appellee,

vs.

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
CORPORATION,

Plaintiffs-Appellees and Cross-Appellants.

PLAINTIFFS-APPELLEES AND CROSS- APPELLANTS' OPENING BRIEF.

This cause comes before this Court on an appeal and a cross-appeal from a declaratory judgment [I-94]* in an action under §274-d (28 U. S. C. §400) of the Judicial Code.

Plaintiffs** Radio Condenser Company and General Instrument Corporation are corporations of the State of New Jersey and brought this action against defendant

*The printed transcript of record is herein referred to by Roman numerals designating the volume, followed by the reference page number.

**Herein the parties will be referred to as "plaintiffs" and "defendant" as in the court below.

LeRoy J. Leishman, a resident of the City of Los Angeles and of the Southern District of California.

The “actual controversy” upon which the action is based is and was with respect to the validity of the defendant’s Reissue Letters Patent 20,827 and the asserted infringement of claims 7 to 11, inclusive, thereof by the manufacture and sale of radio condensers and tuners by the plaintiffs.

The appealed judgment is a summary judgment that plaintiffs’ condensers and tuners do not infringe either of said claims of said reissue patent and granting additional relief, *i. e.*, an injunction prohibiting defendant “from asserting, contending, claiming, or alleging that said Reissue Letters Patent * * * has been or is being infringed” by either of the plaintiffs [I-95, par. 2] or “that the use or sale of condensers and tuners manufactured by plaintiffs * * * has been or is an infringement * * *” of said reissue patent [*id.* par. 3] and “from prosecuting any action in law or equity in which condensers and tuners manufactured by plaintiffs, or either of them, * * * are asserted to have been or to be an infringement” of said reissue patent [I-96 par. 4]. Defendant’s appeal is from that portion of said judgment [I-94-95 par. 1], “That the plaintiffs have not infringed” said patent.

Upon motion of defendant the injunction of paragraph 3 of the judgment [I-95] was modified. It is from this modification and restriction that plaintiffs have appealed.

Jurisdiction.

The District Court has jurisdiction of the action under the Declaratory Judgment Statute (Jud. Code § 274-d, 28 U. S. C. A. §400) and by virtue of Judicial Code §24(7), as the actual controversy arises under the patent laws. The appealed judgment is a final judgment of which this Court has appellate jurisdiction (Jud. Code §128, 28 U. S. C. A. 225). Both plaintiffs' and defendant's appeals were timely (26 Stat. 829, 28 U. S. C. A. §230; *Bingham Pump Co., Inc., v. Edwards*, 118 F. (2d) 338 (C. C. A. 9); *Victor Talking Mach. Co. v. George*, 105 F. (2d) 697 (C. C. A. 3); *Claude Neon. Elec. Products v. Brilliant Tube Sign Co.*, 48 F. (2d) 176 (C. C. A. 9)).

Summary judgment [I-96] was entered and filed September 12, 1946. On September 16, 1946, the District Court extended defendant's time to file a motion under Rule 52(b) to amend the findings, conclusions of law and judgment [*id.* 97; *cf. id.* 100-101]. This motion was denied December 18, 1946, except for the addition thereto of paragraph Seventh [I-134] limiting the scope of the injunction of the judgment. It is from this modification of the injunction that plaintiffs appealed [I-134]. The time for appeal commenced to run from December 19, 1946 [I-135], the date the Clerk gave notice of such modification (*Leishman v. Associated Wholesale Elec. Co.*, 318 U. S. 203). Defendant's notice of appeal was filed March 17, 1947 [I-136], plaintiffs' March 18, 1947 [I-138], both within three months thereafter.

Statement of the Case.

Original Letters Patent No. 2,108,538 [II-174-6] were granted February 15, 1938, to defendant containing six claims. This patent was granted on a divisional application. It was surrendered and on August 16, 1938, a reissue (amended) patent, No. Re-20,827 [II-168-171] was granted containing all six claims of the original patent and six new and additional claims numbered 7 to 12, inclusive. Claim 5 was disclaimed [II-171]. Thereafter a further disclaimer attempting to modify claims 8, 9 and 10 was filed [II-172].

While defendant's alleged invention is in the reissue patent No. 20,827 entitled "Means and Method for Turning Rotatable Objects to Predetermined Positions," the claims thereof (7 to 11, inclusive) involved in this suit refer to the tuning mechanism of radio receiving apparatus. The matter here in litigation is the condensers and tuners manufactured and sold as component parts of radio receiving sets by plaintiffs.

Defendant Leishman had notified both plaintiffs in 1938 and 1939 that plaintiffs' tuners and condensers were infringements of Re-20,827 [Complaint par. 5, I-5; admitted Ans. par. 1, I-15]. He had brought two suits for infringement against radio receiving set dealers. The first suit was filed in September 1938 against Associated Wholesale Electric Company in the Southern District of California, which company was selling radio receiving sets manufactured by the Crosley Corporation of Cincinnati, Ohio. In that suit the District Court, after full trial on the merits, entered judgment of dismissal finding claims 7 to 11, inclusive, invalid for want of invention, without deciding the issue of infringement. Upon appeal this Court affirmed the judgment of dismissal. In the opinion (137

F. (2d) 722) reference is made to the defense therein that the patent was for a different invention than that sought to be patented by the original patent. Therein it is said (*id.* 723):

“Thus a reissue patent must be for the same invention as the original patent. Otherwise it is invalid. An original patent and a reissue patent are not for the same invention unless what is covered by the reissue was disclosed in the original and was intended to have been covered and secured by the original. And this intention ‘must appear from the face of the instrument.’ Hence the questions here to be considered are whether what is covered by claims 7-11 of the reissue patent was disclosed in the original patent, and whether it appears from the face of the original that what is covered by claims 7-11 of the reissue was intended to have been covered and secured by the original.”

At pages 723-4 this Court quotes from the original patent the statements of the purposes of the alleged invention including: “to provide means for simultaneously setting the dials of a radio receiving set and a television receiving set;” and states (p. 726):

“Thus the specification of the original patent discloses a combination comprising rockers, tappets and levers, the tappets and levers constituting what the specification calls a lever assembly; and the claims of the original patent are for combinations each of which includes a lever or levers. * * *”

and (p. 727) points out that for this purpose the patent shows and describes a tuner each operating mechanism of which has two rockers 48 and 54, two tappets 61 and 62, and two levers, one pivoted to the other, and refers

(Footnote 13, p. 726) to claims 1-4 and 6 of the original patent. Each of these claims 1-4 and 6 (p. 726) includes in combination with a lever a plurality of rotatable members (*i. e.*, a plurality of rockers) and a plurality of adjustable members (*i. e.*, a plurality of tappets). Some of these claims (for example, claim 2) specifically include two levers (for a lever assembly, one lever being pivoted on the other); and at 727:

“These claims, it will be observed, are for combinations each of which includes a rocker. Whether the combinations include tappets and levers is not clear. If they do not include levers, the claims are not for the same invention as the original patent and hence are invalid. If they do include levers, the claims are not infringed, for the accused device contains no lever.”

This Court, by limiting the claims to a combination including and dependent upon a lever, was able to avoid passing upon this defense of invalidity, and upon such interpretation thereof affirmed the judgment of dismissal. Because “the claims are not infringed,” the Court’s affirmation was without any determination of the other defenses of invalidity, including want of invention, etc.:

“Since the claims, if valid, are not infringed, the question of their validity need not be decided. The judgment declares that the claims ‘are invalid for want of invention.’ In the view we take, the declaration is unnecessary. As to its correctness or incorrectness, we express no opinion.” (*Id.* 727.)

The Supreme Court on December 3, 1943, denied *certiorari* (320 U. S. 794).

On March 7, 1945 [I-39] Leishman filed a second infringement suit against a dealer in radio receiving sets.

This was fifteen months after the denial of *certiorari* by the Supreme Court. This suit was filed in the Western District of Oklahoma against The Richards and Conover Company [I-36]. While this second suit involved condensers and tuners manufactured by plaintiffs and sold to the manufacturers of the radio receiving sets sold by such dealer, neither of the plaintiffs herein were made parties thereof and neither of the plaintiffs controlled the defense in such suit. Such dealer was a customer of Galvin Manufacturing Corporation of Chicago, Illinois [I-53] who purchased condensers and tuners manufactured by plaintiffs and incorporated them into the radio receiving sets sold to The Richards and Conover Company [Complaint, par. 5, I-5-6; Answer par. 1, I-15].

This Court affirmed the judgment of dismissal (137 F. (2d) 722), stating (*inter alia*), "Since the claims, if valid, are not infringed, the question of their validity need not be decided" (*id.* 727). In the opinion of this Court, infringement was not determined as a question of fact. Therein it was a question of law and was so decided. In the case at bar the District Court likewise determined the question of infringement as a question of law. "There is no genuine issue as to any material fact and no controversial question of fact to be determined at a trial respecting the issue of infringement of Claims 7 to 11, inclusive, of Reissue Letters Patent No. Re. 20,827 by plaintiffs' Radio Condenser Company Model 28 tuner or General Instrument Corporation Model 31 tuner" [F. F. 19, I-91], and as a conclusion of law the Court adjudged: "3. No genuine issue as to any material fact exists in the instant case respecting infringement by plaintiffs' manufacture, use, or sale of radio tuners" [I-92].

Plaintiffs' condensers and tuners so incorporated by Galvin Manufacturing Corporation in its radio receiving sets and sold by defendant in said second infringement suit are identified in the record as "Radio Condenser Company Model 28" tuner and "General Instrument Corporation Model 31" tuner [Pltfs. Exs. 2 and 4; F. F. 17, I-91] and are identical (so far as is material to the issue of infringement) with the tuners involved in the *Associated Wholesale Electric Co.* case. This fact is admitted in Appellant's Opening Brief, page 20.

To prevent multiplicity of suits by Leishman against their customers and thereby to prevent further interference with plaintiffs' business, on April 20, 1945, plaintiffs filed the present suit in the District Court wherein Leishman is an inhabitant (Jud. Code §51).

On June 12, 1945, defendant interposed a motion to dismiss this action. The District Court denied this motion and on November 16, 1945, defendant answered the complaint [I-15-17] and counterclaimed alleging infringement by plaintiffs. November 30, 1945, plaintiffs replied to such counterclaim denying infringement and repeating the defenses of invalidity of the reissued patent [I-18-21]. January 23, 1946, plaintiffs moved [I-27] for summary judgment. March 11, 1946 [Rep. Trans.* 1-54] this motion was orally argued and submitted. On the following day, March 12, 1946, this motion was granted and counsel were directed to prepare findings of fact, conclusions of law and a judgment thereon [Rep. Trans. 56-59]. Proposed findings of fact, conclusions of law and proposed judgment were filed March 19, 1946. The

*The reference "Rep. Trans." is to the Reporter's Transcript.

District Court extended to April 1, 1946, defendant's time to file objections thereto.

May 25, 1946 [I-47-51], without any application to and leave or permission of the District Court, defendant filed "Motion to Deny Plaintiffs' Motion for Summary Judgment and Motion to Dismiss the Declaratory Judgment Complaint." The District Court construed the motions as a petition for rehearing [Rep. Trans. 58] of the issue of infringement when, on June 11, 1946 [Rep. Trans. 2-46], they were heard in connection with defendant's objections to the proposed findings and judgment.

At this June 11, 1946 hearing, defendant presented to the District Court a copy of the findings of fact and conclusions of law and interlocutory judgment filed May 6, 1946, in *The Richards and Conover Company* Oklahoma suit [I-52-63]. No amended answer or second counterclaim was presented and no leave was sought therefor.

On June 21, 1946, Leishman presented a motion for leave to file a supplemental answer and a second supplemental counterclaim [I-63-65]. This proposed supplemental answer and counterclaim is not reproduced in the transcript of record herein. It was withdrawn and on July 8, 1946, the proposed first supplemental answer and second supplemental counterclaim, appearing in the transcript of record, pages 72-86, were presented. The District Court, exercising its discretion, denied the motion for leave to file this second-proposed first supplemental answer and second supplemental counterclaim. Appellant asserts error in the denial of such leave.

Appellant propounded certain interrogatories to plaintiffs. The District Court sustained appellees' objections to appellant's interrogatories 4-7, inclusive, 9, 10, 11, 17 and 18. Appellant here asserts this was error.

QUESTIONS INVOLVED.

1. Does either of plaintiffs' tuners comparable to "Radio Condenser Company Model 28" tuner and "General Instrument Corporation Model 31" tuner infringe either of claims 7 to 11 of Re-20,827?

2. Was it an abuse of discretion for the District Court to deny defendant's motion to file "Defendant's First Supplemental Answer and Second Supplemental Counterclaim" [I-72-86]?

3. Did the District Court err in sustaining plaintiffs' objections to defendant's interrogatories 4 to 7, inclusive, 9, 10, 11, 17 and 18 [I-21-26]?

Does Either of Plaintiffs' Tuners Comparable to "Radio Condenser Company Model 28" Tuner and "General Instrument Corporation Model 31" Tuner Infringe Either of Claims 7 to 11 of Re-20,827?

To answer this question it is first necessary to determine, as did this Court in *Leishman v. Associated Wholesale Elec. Co.*, 137 F. (2d) 722, how claims 7 to 11, inclusive, of the reissue patent 20,827 can be interpreted so as to escape invalidity as not for the same invention patented in the original patent 2,108,538.

The applicable principle in law involved is correctly stated by this Court at page 723 of 137 F. (2d):

"Thus a reissue patent must be for the same invention as the original patent. Otherwise it is invalid. An original patent and a reissue patent are not for the same invention unless what is covered by the reissue was disclosed in the original and was intended to have been covered and secured by the original. And this intention 'must appear from the

SUMMARY OF ARGUMENT.

1. Does either of plaintiffs' tuners comparable to "Radio Condenser Company Model 28" tuner and "General Instrument Corporation Model 31" tuner infringe either of claims 7-11 of Re-20,827?

2. First necessary to determine how claims 7-11 of Re-20,827 can be interpreted to escape invalidity as not for the same invention as patented in the original patent.

3. The doctrine of mechanical equivalents applicable to a combination.

4. The legal effect of this Court's adjudication of Re-20,827.

5. A patent for a combination is not infringed by using one element of such combination as an element of a different combination.

6. Coaxiality.

7. The Crosley method of securing coaxiality is not equivalent to that of the reissue patent in suit.

8. Appellant's interpretation of claims 7-11 is wholly contrary to this Court's interpretation thereof.

9. There was no error in the District Court's granting summary judgment in this case.

10. No error exists in the District Court's failure to hold that appellees were bound by the decision in this Oklahoma case, nor in the District Court's denial of leave to appellant to interject this issue into this case.

11. The District Court was correct in sustaining appellee's objections to appellant's interrogatories.

face of the instrument.’ Hence the questions here to be considered are whether what is covered by claims 7-11 of the reissue patent was disclosed in the original patent, and whether it appears from the face of the original that what is covered by claims 7-11 of the reissue was intended to have been covered and secured by the original.”

Appellant’s Opening Brief does not challenge this statement of law.

In the case of *Heald v. Rice*, 104 U. S. 737, 749, it is said:

“In the present case the question of the identity of the invention in the original and re-issued patents is to be determined from their face by mere comparison * * *. That is, if it appears from the face of the instruments that extrinsic evidence is not needed to explain terms of art, or to apply the descriptions to the subject-matter, so that the court is able from mere comparison to say what are the inventions described in each, and to affirm from such mere comparison that they are not the same, but different, then the question of identity is one of pure construction, and not of evidence and, consequently, is matter of law for the court, without any auxiliary matter of fact to be passed upon by a jury, if the action be at law.”

To avoid invalidity because of claiming a different invention, this Court first held that the specification of the original patent gave as one of the novel purposes of the alleged Leishman invention: “to provide means for simultaneously setting the dials of a radio receiving set and a television receiving set; to make it possible for a single manual operation to tune either a radio set or a television

set, or both;” (p. 724), and, second, that to accomplish this purpose the original patent showed and described “a combination comprising rockers, tappets and levers, the tappets and levers constituting what the specification calls a lever assembly; and the claims of the original patent are for combinations each of which includes a lever or levers” (p. 726; *Cf.* Footnote 13); and said (p. 727):

“* * * If they do not include levers, the claims are not for the same invention as the original patent and hence are invalid. If they do include levers, the claims are not infringed, for the accused device contains no lever.”

No facts with respect to the parts composing the claimed combination were in dispute. All were illustrated in the patent drawings and described in the specification thereof. There was no ultimate fact material to the question of infringement to be determined by the Court. As a question of law non-infringement was found.

In *United States v. Esnault-Pelterie*, 303 U. S. 26, 30, it is said:

“* * * where, with all the evidence before the court, it appears that no substantial dispute of fact is presented, and that the case may be determined by a mere comparison of structures and extrinsic evidence is not needed for purposes of explanation, or evaluation of prior art, or to resolve questions of the application of descriptions to subject-matter, the questions of invention and infringement may be determined as questions of law.”

(*Cf. Galland-Henning Mfg. Co. v. Logemann Bros. Co.*, 142 F. (2d) 700, 703, col. 1, to 704 (C. C. A. 7).)

Judge Lederle in *Brown v. Ford Motor Co.*, 57 F. Supp. 825, 827, says:

“Where it appears that extrinsic evidence is not needed to explain the terms of the art or apply the descriptions to the subject matter, and it is possible for the court to determine what are the inventions claimed in the patent, and from a mere comparison of such claimed inventions with the accused devices, determine whether or not infringement exists, the question of infringement, like the construction of any other writing, is a question for determination by the court. *Singer Mfg. Co. v. Cramer*, 192 U. S. 265, 24 S. Ct. 291, 48 L. Ed. 437; *Clark Thread Co. v. Willimantic Linen Co.*, 140 U. S. 481, 11 S. Ct. 846, 35 L. Ed. 521; *Coffield v. Sunny Line Appliance, Inc.*, 6 Cir., 297 F. 609; *Banke v. Novadel-Agene Corp.*, No. 8343, decided by this court Apr. 19, 1939 (not reported), affirmed *Id.*, 6 Cir., 130 F. 2d 99, certiorari denied 317 U. S. 692, 63 S. Ct. 324, 87 L. Ed. 554; *American Fibre-Chamois Co. v. Buckskin Fibre Co.*, 6 Cir., 72 F. 508; *Coulter v. Eagle & Phenix Mills*, 5 Cir., 35 F. 2d 268; *Van Camp Sea Food Co., Inc., v. Westgate Sea Products Co.*, 9 Cir., 28 F. 2d 957; *Hurin v. Electric Vacuum Cleaner Co., Inc.*, 6 Cir., 298 F. 76; *Galland-Henning Mfg. Co. v. Logemann Bros. Co.*, 7 Cir., 142 F. 2d 700; *Bradt v. Kelsey-Hayes, D.C.*, 14 F. Supp. 709; *Gasfier Mfg. Co. v. Ford Motor Co., D.C.*, 1 F. R. D. 10; *Meikle v. Timken-Detroit Axle Co., D.C.*, 44 F. Supp. 460.”

As in *Leishman v. Associated Wholesale Elec. Co.*, the District Court in this case had before it all the ultimate facts upon which to determine infringement. They were presented in and by the original Leishman patent, the re-issue Leishman patent, the disclaimers filed by Leishman, and the tuners themselves, *i. e.*, “Radio Condenser Com-

pany Model 28" tuner and "General Instrument Corporation Model 31" tuner. In the *Associated Wholesale Elec.* case this Court pointed out from this incontestable printed record and the exhibition of the Crosley Radio Corporation's tuner that (137 F. (2d) 727):

"The accused device (a mechanical tuner for a radio receiving set) is manufactured by the Crosley Radio Corporation and sold by appellee. It has a rocker which is the equivalent of appellant's rocker 48. It has no rocker 54 nor any equivalent thereof. It has tappets each of which is the equivalent of appellant's tappet 61. It has no tappet 62 nor any equivalent thereof. It has no lever of any kind or character. Its tappets are operated (made to engage the rocker) by means of plungers. The plungers perform a part, and only a part, of the function performed by appellant's levers F and 66. The part so performed is not performed in the same way, or in substantially the same way. Hence the plungers and the levers are not equivalents."

In the *Paper Bag Co.* case, 210 U. S. 405, the Supreme Court considered and decided the question of infringement therein as "a point of law," *i. e.*, the "range of equivalents" permitted to accord with "the extent and nature of the invention." While this decision is not specifically referred to by this Court in the *Associated Wholesale Elec.* case, eight Court decisions are cited in footnote 18, page 727, supporting in law this Court's determination of the question of equivalency.

As a matter of law this Court found that *in the combination* "the plungers and the levers are not equivalents." In the case at bar the District Court likewise found non-infringement as a matter of law [Cf. F. F. 18, 19, I-91; Conclusions of Law 3, 4, *id.* 92; Judgment, par. 1, *id.*

94-5]. In the *Associated Wholesale Elec.* case this Court did not find,—and in the case at bar the District Court did not find—that a plunger and a lever could not be equivalents of each other in *any* of their possible uses and environments, but that:

“* * * The plungers perform a part, *and only a part*, of the function performed by appellant’s levers F and 66. *The part so performed is not performed in the same way, or in substantially the same way.*” (137 F. 2d 723, 727.)

“Appellant’s levers have a double function—that of operating the tappet 61 and that of operating the tappet 62. *The latter function is not performed at all in the accused device.*” (*Id.*, footnote 17.) (Emphasis supplied.)

This Court thus finds two principles of patent law impelling its judgment of noninfringement:

The first is inherent in and necessary to its limitation of the Re-20,827 to the same invention intended to be patented in and by the original patent 2,108,538, for otherwise the reissue is invalid.

The second is that the elements of the Crosley tuner are not so combined as to perform the discussed function “in the same way, or in substantially the same way” as in the Leishman combination, which is necessarily limited to levers.

Both of these conclusions of law are in full accord with established principles of patent law and in full accord with the clear mechanical facts exhibited in the original patent, the reissue 20,827, and the exhibit tuners.

“* * * The invention, conceding it to be such, is therefore within a narrow compass, and its range of equivalents should be correspondingly limited. (Citing

Boyd v. Janesville Hay Tool Co., 158 U. S. 260; Knapp v. Morss, 150 U. S. 221-228; National Hollow B. B. Co. v. Interchangeable B. B. Co., 106 F. 693-710.) * * * and when the patent is for described means or mechanism to accomplish a specified improvement, it will be limited to the particular means described in the specification, or their clear mechanical equivalents. Union Match Co. v. Diamond Match Co., 162 Fed. 148-155, 89 C. C. A. 172. In patents for a combination, if the patentee specifies any element as entering into the combination, either directly by the language of the claim or by such a reference to the descriptive part of the specification as carries such element into the claim, he makes such element material to the combination and the court cannot declare it to be immaterial. Fay v. Cordesman, 109 U. S. 408-420. * * *” (*Electric Protection Co. v. American Bank P. Co.*, 184 Fed. 916, at 922 (C. C. A. 8).)

**The Doctrine of Mechanical Equivalents
Applicable to a Combination.**

A combination is an entity separate and distinct from its several parts or elements.

“* * * The point to be emphasized is that the law looks not at the elements or factors of an invented combination as a subject for a patent, but only to the combination itself as a unit distinct from its parts, and in such case there can be no comparison of patented and unpatented parts.”

(*Yesbera v. Hardesty Mfg. Co.*, 166 Fed. 120, at 125 (C. C. A. 6).)

Two combinations are not substantially the same or equivalents because each combination secures or produces the same result.

“* * * The patentee may bring the defendant within the letter of his claims, but if the latter has so far changed the principle of the device that the claims of the patent, literally construed, have ceased to represent his actual invention, he is as little subject to be adjudged an infringer as one who has violated the letter of a statute has to be convicted, when he has done nothing in conflict with its spirit and intent. ‘An infringement,’ says Mr. Justice Grier in *Burr v Duryee*, 68 U. S. 1 Wall. 531, 572 (17: 650, 658), ‘involves substantial identity, whether that identity be described by the terms, “same principle,” same “*modus operandi*,” or any other. * * * The argument used to show infringement assumes that every combination of devices in a machine which is used to produce the same effect is necessarily an equivalent for any other combination used for the same purpose. This is a flagrant abuse of the term “equivalent.” ’ ”

(*Westinghouse v. Boyden*, 170 U. S. 537, 568, 42 L. Ed. 1136, 1147.)

“In considering them it is important to bear in mind that the patent is for a combination merely, in which all the elements were known and open to public use. No one of them is claimed to be the invention of the patentee. He does not claim them himself as separate inventions. It is simply a new combination of old and well-known devices, for the accomplishment of a new and useful result, that is claimed to be the invention secured by the patent. * * * But this result or idea is not monopolized by the patent. The thing patented is the particular means devised by the inventor by which that result is attained, leaving it open to any other inventor to accomplish the same result by other means. To constitute identity of invention, and therefore infringement, not only

must the result attained be the same, but in case the means used for its attainment is a combination of known elements, *the elements combined in both cases must be the same, and combined in the same way, so that each element shall perform the same function*, provided, however, that the differences alleged are not merely colorable, according to the rule forbidding the use of known equivalents.” (Emphasis supplied.)

(*Electric R. R. Signal Co. v. Hall Ry. Signal Co.*, 114 U. S. 87.)

Cf. *Union Water-Meter Co. v. Desper*, 101 U. S. 332.

“* * * To sustain the charge of infringement the infringing device must be substantially identical with the one alleged to be infringed in (1) that result attained; (2) the means of attaining the result; and (3) the manner in which its different parts operate and co-operate to produce that result. If the devices are substantially different in either of these respects the charge of infringement is not sustained.” (Citing cases.)

(*Electric Protection Co. v. American Bank P. Co.*, 184 Fed. 916, at 923 (C. C. A. 8).)

“Yet every equivalent, whether asserted in respect of a small or great invention, must respond to the rule enunciated in *Morley v. Lancaster*, 129 U. S. 263, * * *, viz., that where a combination of a plurality of mechanisms constitutes the invention, each mechanism is to be individually considered to determine equivalency, though the result of the plural operations working conjunctively is identical in the patented and accused devices.”

(*Diamond Match Co. v. Sun Match Corp.*, 16 F. (2d) 1, 3 (C. C. A. 2).)

Robinson on Pats., Vol. 1, Sec. 291, p. 403. Cf. *American Steel & Wire Co. v. Denning W. & F. Co.*, 194 F. 117, 118 (C. C. A. 8); *Heyl & Patterson v. M. A. Hanna Coal & Dock Co.*, 279 Fed. 862 (C. C. A. 7); *C. F. Mueller Co. v. Clermont Mach. Co.*, 20 F. (2d) 413; *Stebler v. Porterville Citrus Assn.*, 248 Fed. 927 (C. C. A. 9).

“* * * An equivalent must not vary in any manner the idea of means, or affect it in any degree. It is quite true that the equivalent may perform some new or additional function in the invention, and still be an equivalent; but it must perform all the functions of the element for which it is a substitute in substantially the same way, and I do not think that it is material that the element for which another is substituted has more parts or less parts. The substitution of an equivalent is, however, a mere change of parts and form involving no inventive skill, but suggested by the invention itself to every person skilled in the particular art. If the alleged equivalent not only performs the function of the element for which substituted, and perhaps more, but introduces into the combination a new idea, or new ideas, or a much more extended development of the idea of means, then we do not have the substitution of an equivalent, but a patentable improvement—something different in principle and function. In combination claims this is especially true. (Citing cases.)

“When we have in combination certain elements working together and co-operating to produce a given result, they work in accordance with and in obedience to some law of co-operative action. When we change one element which works and operates differently from the one for which it is a substitute we necessarily change the action of all, and then the combi-

nation operates according to and in obedience to another co-operative law, and we have a new combination working in a different way to produce a result, and it may be the same result; but it is not obtained in the same way by the co-operation of the same elements or their equivalents. Such, in my judgment and opinion, is this case. *It is not enough that the two elements, one of which is alleged to be the equivalent of the other, perform the same function when in the same place; but they must perform that function by applying the same force to the same object, through the same mode of application.*" (Citing cases.) (Emphasis supplied.)

(*Dey Time Register Co. v. Syracuse Time Recorder Co.*, 152 Fed. 440, at 450.)

"In the language used by this court in *Dunkley Co. v. Central California Canneries*, 7 F. (2d) 972, 975, certiorari denied 270 U. S. 646, 46 S. Ct. 347, 70 L. Ed. 778: 'Plaintiff's is a combination patent; all of its elements are old. In such case the patent is limited to the specific combination. A defendant who omits one of the material elements of the combination does not infringe. (Many cases cited.)'

"Again, in *Wilson, etc., Co. v. Union Tool Co.*, *supra*, this court said: 'It is clear that all of the elements of the Double combination patent, No. 734,833, were old in the art. This being true, the claims of invention in the patents should be limited to the specific combinations of elements as covered in the claims of the patent. Combination of elements which are old in the art undoubtedly may be invention, but the combination must be considered as an entirety or unitary structure. If defendant omits one or more of the material elements which make up the combination, he no longer uses the combination; and it is no

answer to say that the omitted elements are not essential, and that the combination operates as well without as with them. *Leeds & Catlin Co. v. Victor Talking Machine Co.*, 213 U. S. 301, 29 S. Ct. 495, 53 L. Ed. 805; *Evans et al. v. Hall Printing Press Co.*, 223 F. 539, 139 C. C. A. 129. It must also be established by one who alleges infringement of a combination that the entire combination, as a unitary structure and having substantially the same mode of operation, is present in the alleged infringing machine. (Case cited.)’ ”

(*Magnavox Co. v. Hart & Reno*, 73 F. (2d) 433, at 444 (C. C. A. 9).)

“There are two tests of equivalency: (a) identity of function; (b) substantial identity of way of performing that function.”

(Deller’s Walker on Pats., Vol. 3, §466, p. 1703.*)

“One thing, to be the equivalent of another, must perform the same function as that other.” (*Id.*, §467, p. 1704.)

“But the test of function is only the first of several tests of equivalency. The fact that one thing performs the same function as another, though necessary, is not sufficient to make it an equivalent thereof.” (*Id.*, p. 1705.)

“Function must be performed in substantially the same way by an alleged equivalent, as by the thing of which it is alleged to be an equivalent, in order to constitute it such.” (*Id.*, §468, p. 1706.)

*The decisions listed in the text as establishing this and the following rules are too numerous for repetition herein.

“* * * In a purely scientific sense, a screw always performs its function in a substantially different way from a lever, and in substantially the same way as a wedge. Screws and wedges are equally inclined planes, while a lever is an entirely different elementary power. But screws and levers can practically be substituted for each other in a larger number of machines than screws and wedges can be similarly substituted. When a lever and a screw can be interchanged and still perform the same function with a result that is beneficially the same, they are said to perform the same function in substantially the same way.” (*Id.*, pp. 1706-7.)

“Similarity or identity of result is not a sufficient test to show infringement, where there was a variation in the means used (*Stebler v. Porterville Citrus Ass’n*, 248 Fed. 927, C. C. A. 9; *Conrader et al. v. Judson Governor Co.*, 238 Fed. 349), * * *.” (*Id.*, §469, p. 1707.)

“But one thing may be an equivalent of another in one environment, and not such an equivalent in another situation. * * * Springs and weights are generally equivalents * * *, but where the environment is such that a spring will operate successfully while a weight will not so operate, there they are not equivalents. * * *” (*Id.*, §470, p. 1707.)

“An invention of a limited nature is entitled to a narrow range of equivalents. (Citing *inter alia*, *Magnavox Co. v. Hart & Reno*, 73 F. (2d) 433, 435, 441, C. C. A. 9; * * * *Thomas Day Co. v. Doble Laboratories*, 42 F. (2d) 6, 8, C. C. A. 9 * * *; * * * *Overlin v. Dallas Machine & Locomotive Works*, 297 Fed. 7, 11, C. C. A. 9; *Wilson & Willard Mfg. Co. v. Union Tool Co.*, 249 Fed. 729, 734, C. C. A. 9 * * *.” (*Id.*, §475, p. 1719.)

“The following are examples of non-equivalents: *Smith v. Magic City Kennel Club, Inc.*, 282 U. S. 784, 790, 75 L. Ed. 707 (1931), where a patent for improvement in devices for dog races calling for a lure arm, attached or hinged to a conveyor car and equipped with a wheel at its outer end for ground support, held not to cover a rigid horizontal lure-carrying arm without ground support.

“*Columbia Motor Car Co. v. C. A. Duerr & Co.*, 184 Fed. 893, C. C. A. 2 (1911), where a constant volume gas engine was held not the equivalent of a constant pressure engine under a patent entitled to a fair and reasonable, but not a broad, range of equivalents.

“*Stewart-Warner Corporation v. Jiffy Lubricator Co.*, 81 F. (2d) 786, 793, C. C. A. 8 (1936), where it was said:

“‘It seems clear that the compression of spring fingers—elastic members which yield under stress and return to normal when stress is removed—is substantially different from compression by wedging action.’

“*E. Van Noorden Co. v. Cheney Co.*, 75 F. (2d) 298, 302-3, C. C. A. 1 (1934), where it was said:

“‘The construction of a flashing having a single flat rib with parallel sides extending lengthwise of the flashing and wall, with depressions in the rib at regular intervals, each section of the rib thus formed tapering vertically from its center towards the depressions at each end, the entire sheet being crimped into alternate ridges and grooves, with complementary grooves and ridges on the opposite side of the sheet, giving a corrugated effect to each face, the sides of which corrugations do not taper but are parallel, cannot be said, we think, to be an equivalent of the Cheney flashing, with a plurality of ribs and grooves

tapering horizontally in opposite directions and designed to extend across the wall. While the Van Noorden flashing may accomplish practically the same function, it cannot be said to do it in substantially the same manner.' ” (*Id.*, §480, pp. 1725-6.)

Applying these principles of patent law to, and giving claims 7 to 11 of Re-20,827 the interpretation necessary to bring the claimed combination within the confines of the alleged invention “disclosed in the original patent, and * * * intended to have been covered and secured by the original” (137 F. (2d) 723), the findings and conclusions of the District Court [I-91, 92] are fully supported by the indisputable and uncontroverted facts.

The Legal Effect of This Court's Adjudication of Re-20,827.

Appellant misconceives the law applicable to this Court's judgment in the *Associated Wholesale Elec.* case and its legal effect upon the action *sub judice*.

“The patent sued upon was before this court in *Badische Anilin v. Kalle* (C. C.), 94 Fed. 163. It was sustained in all particulars, and infringement found of claims 1, 2, and 4, the same involved here. The *Kalle Case* was appealed to the Court of Appeals in this circuit, and the decision below was affirmed. 104 Fed. 802, 44 C. C. A. 201. According to well-settled practice, the earlier decision in this court is to be followed here, and the decision of the Court of Appeals is, of course, controlling upon this court. * * * The rule is well settled that, when a patent has once been sustained by an appellate court, a subordinate court, dealing with the same patent subsequently, inquires first whether the second record contains anything not before the appellate court (whether mentioned in its opinion or not), and,

if it finds something new, inquires next whether the new matter is of such a character that it may fairly be supposed that the appellate court would have reached a different conclusion, had it been advised of its existence. * * *

(*Badische Anilin & Soda Fabrik v. A. Klipstein & Co.*, 125 Fed. 543, 545-6 (Circuit Judge Lacombe).)

“The defendants first contend that the patent is invalid for want of invention. But, in considering this contention, we are met at the outset with a decree of the Circuit Court for the Northern District of New York holding in a contested case where the same claim was made, and much evidence of the prior art presented, that this identical patent was valid. *Young v. Daley* (decree filed February 25, 1902). Upon appeal the decree was affirmed by this court (120 Fed. 1023, 56 C. C. A. 686), although it appears that the particular errors assigned by the appellant related to other points than the validity of the patent. This decree, being between other parties, does not constitute *res adjudicata*. We are not constrained to follow it upon any principle of *stare decisis*. Still we think an orderly administration of justice in patent causes requires, as a general rule (to which this case does not constitute an exception), that when a patent, after full hearing, has been declared by the Circuit Court to be valid and such decree has been affirmed by this court, we should follow the decision in a subsequent case involving the validity of the same patent, and not presenting any essentially different evidence, notwithstanding the claim of invalidity was not urged upon this court upon the prior appeal.”

(*Crier v. Innes*, 170 Fed. 324, 325 (C. C. A. 2).)

“These same claims were held valid and infringed by the same District Judge in *Concrete Mixing & Conveying Co. v. Ulen Contracting Corp.*, 12 F. (2d) 929. We affirmed that decree without opinion. 12 F. (2d) 931. * * * Subsequently Judge Bourquin held the patent invalid in *Concrete Mixing & Conveying Co. v. R. C. Storrie & Co.* (D. C.), 23 F. (2d) 131. * * *

* * * * *

“* * * But whatever the court as now constituted might think of the correctness of our former ruling, it is our duty to follow it, unless new evidence raises questions of the patent’s validity not previously considered. See *Cortelyou v. Charles E. Johnson & Co.*, 145 F. 933, 934 (C. C. A. 2); *Crier v. Innes*, 170 F. 324 (C. C. A. 2).)”

(*Concrete Mixing, etc., Co. v. Powers-Kennedy Contracting Corp.*, 27 F. (2d) 668, 669, 670 (C. C. A. 2).)

“In the case of *Cortelyou v. Lowe*, 111 Fed. 1005, 49 C. C. A. 671, this court fully accepted and approved the decision in the *Heaton Peninsular Button-Fastener Case* (77 Fed. 288, 25 C. C. A. 267, 35 L. R. A. 728), and by so doing made it, in effect, the law of the Second Circuit. * * * It is a clear, comprehensive and convincing exposition of the law as applicable to the facts as stated in the bill and admitted by the demurrer, and, upon similar facts, is as controlling upon us as if it were originally promulgated by this court. The fact that the court is now differently constituted is, of course, quite immaterial.

If entitled to be considered at all upon a question of general significance, like that under consideration, it should operate as an additional reason for adhering to existing conditions. It is the court, not the individuals composing it, that declares the law; and it would be unseemly, to say the least, to review propositions previously established, even though as an original question we might have been led to a different conclusion. (*Cimiotti Co. v. Nearseal Co.*, 123 Fed. 479, 59 C. C. A. 58.”

(*Cortelyou v. Charles E. Johnson & Co.*, 145 Fed. 933, 934 (C. C. A. 2).)

Compare *Flat Slabs Patents Co. v. Wright, Barrett & Stilwell Co.*, 283 Fed. 345, 346, and cases therein cited; *Jorgensen v. Swope, Warden*, 114 F. (2d) 988 (C. C. A. 9); *Orpheum Bldg. Co. v. Anglim*, 127 F. (2d) 478, 485 (C. C. A. 9).

On behalf of Associated Wholesale Electric Company this Court has adjudged that the Crosley tuners do not infringe claims 7 to 11, incl., of Re-20,827. The District Court was not in error in applying this same measure of the Leishman invention in this case and on behalf of Radio Condenser Company and General Instrument Corporation with respect to tuners patentwise identical with the Crosley tuners. The rule of law is not and should not be different with respect to the rights of different people or corporations. Uniformity of law is necessary to equal justice.

“A Patent for a Combination Is Not Infringed by Using One Element of Such Combination as an Element of a Different Combination.”

(Ajax Forge Co. v. Morden Frog & Crossing Works, 156 Fed. 591.)

Even the use of the identical element of a patented combination is not infringement of that combination where the elements are combined in a distinctive manner forming in substance a different combination.

“* * * The patent is granted for the combination, as ‘the particular means devised by the inventor by which that result is attained,’ and the patentee is entitled to protection against any use of the same combination of elements, combined in the same way, so that each element performs the same function, or against substantially the same use with deviations which are merely colorable. *But each of these well-known elements remains open to the use of the subsequent inventor for a different combination for like results.* Electric Signal Co. v. Hall Signal Co., 114 U. S. 87, 96, 5 Sup. Ct. 1069, 29 L. Ed. 96.” (Emphasis supplied.)

(*Milwaukee Carv. Co. v. Brunswick-Balke-Collender Co.*, 126 Fed. 171, 184-5.)

To this Court’s adjudication that a plunger is not the mechanical equivalent of a lever in the Leishman combination, it is no answer to establish that plungers and levers have been used in other combinations. The District Court found as a fact that no evidence had been presented to the court by defendant to challenge its finding “that plungers and levers in the alleged patented combination do not function in the same way, or in substantially the same way, and are therefore not equivalents” [F. F. 18, I-91].

Even if the pleadings in this case could be construed as presenting an issue of fact with respect to such equivalency, evidence of such fact must be found in the record.

“The existence of an issue of fact on the pleadings does not preclude the court from granting summary judgment if the pleadings, affidavits and depositions show these issues to be feigned or colorable. The court must determine whether there is a genuine issue of fact to be tried. However, the presence of a real and material issue of fact prevents entry of summary judgment, and it is not sufficient that the court may not credit the evidence to be offered or that the weight of the evidence is clearly in favor of one party. The burden is on the moving party to establish the non-existence of a genuine issue of fact and it is not essential that the opposing party file counter-affidavits.”

(*Griffith v. William Penn Broadcasting Co.*, 9 F. R. S. 836.)

Appellant had full opportunity to present any new evidence material to the issue of infringement. Evidence offered by appellant consisted of ten patents [Dfts. Exhs. E to Q, incl., II-177-253] and a “collection of photographs and other illustrations” [I-46] forming a part of his affidavit. Six of these ten patents offered in evidence in this case were before the court in the *Associated Wholesale Elec.* case [Tr. of Rec. Associated Case, Vol. III, Dfts. Exh. J, pp. 567-648; *Cf.* Dfts. Exh. D, p. 566]. The disclosures of the patents to Kettell 290,894 [II-177], Peck 1,865,704 (p. 237), Danish Patent 52,047 (pp. 253,247), Bast 1,687,420 (p. 186), Freytag British Patent 405,716 (p. 201), Gerdes 703,570 (p. 207), Siemens & Halske German Patent 438,696 (pp. 223, 217), Jaoke

2,297,152 (p. 227), Marvin 1,704,754 (p. 189), and Faas 1,928,200 (p. 211) are merely cumulative in illustrating different uses of a plunger. That they are immaterial upon the issue of infringement is clear. None of these patents shows a combination comparable to that of Re-20,827 or the Crosley or Radio Condenser Company Model No. 28 or General Instrument Corporation Model No. 31 tuner, although the fact that a plunger and a lever were both old in mechanics is undisputed. However, the fact is that "the adoption of the pushbutton or plunger means of operation was one of the primary factors of its success, because only through this means of operation was it possible to construct a device that has the required compactness—a definite requirement of the industry." (Quotation from Judge Harrison's decision, 36 F. Supp. 807.)

In this case, to be material evidence of equivalency of a plunger to Leishman's lever in its cooperative relation to the other elements of the Leishman combination, there must be not only a showing and description of a plunger combined in the combination of claims 7 to 11, but the plunger must be so inter-related with the other elements of the combination that each element performs the same function and purpose in the combination, and in substantially the same manner, as does the lever of the Leishman device in its cooperative relation to the other elements of the Leishman combination shown and described in Re-20,827. If these requirements be not met, then there is no equivalency of the plaintiffs' combination to the Leishman combination.

This Court points out that the Crosley tuner:

"* * * has a rocker which is the equivalent of appellant's rocker 48. *It has no rocker 54 nor any equivalent thereof.* It has tappets each of which is

the equivalent of appellant's tappet 61. *It has no tappet 62 nor any equivalent thereof. It has no lever of any kind or character.* Its tappets are operated (made to engage the rocker) by means of plungers. *The plungers perform a part, and only a part, of the function performed by appellant's levers F and 66. The part so performed is not performed in the same way, or in substantially the same way. Hence the plungers and the levers are not equivalents.*" (Emphasis supplied.) (137 F. (2d) 722, 727.)

In order to validate Re-20,827 by restricting it to "the same invention" as "intended to have been covered and secured by the original," this Court points out the absence in the Crosley tuner (as contrasted with the Leishman combination) of three elements, rocker 54, tappet 62 and "lever of any kind" comparable to Leishman's "levers F and 66." It also points out the co-operative relationship of these elements in the Leishman combination. It also points out that the original patent restricted the invention (a combination) to simultaneously tuning in a radio broadcasting station and its associated television broadcasting station.*

At pages 723-4 this Court quotes from the original patent the statements of the purposes of the alleged in-

*Cf. Opinion of this Court, 137 F. (2d), pp. 723-6, wherein, after quoting the specification and claims of the original patent, it is said:

"Thus the specification of the original patent discloses a combination comprising rockers, tappets and levers, the tappets and levers constituting what the specification calls a lever assembly; and the claims of the original patent are for combinations each of which includes a lever or levers. No leverless combination is disclosed or claimed in the original patent, nor does it appear from the face thereof that any leverless combination was intended to have been covered or secured thereby."

vention including: "to provide means for simultaneously setting the dials of a radio receiving set and a television receiving set; to make it possible for a single manual operation to tune either a radio set or a television set, or both;" and states (p. 726):

"Thus the specification of the original patent discloses a combination comprising rockers, tappets and levers, the tappets and levers constituting what the specification calls a lever assembly; and the claims of the original patent are for combinations each of which includes a lever or levers. * * *"

and (p. 727) points out that for this purpose the patent shows and describes a tuner each operating mechanism of which has two rockers 48 and 54, two tappets 61 and 62, and two levers, one pivoted to the other, and refers (Footnote 13, p. 726) to claims 1-4 and 6 of the original patent. Each of these claims 1-4 and 6 (p. 726) includes in combination with a lever a plurality of rotatable members (*i. e.*, a plurality of rockers) and a plurality of adjustable members (*i. e.*, a plurality of tappets). Some of these claims (for example, claim 2) specifically include two levers (for a lever assembly, one lever being pivoted on the other).

We do not read the opinion in this *Associated* case as necessarily limiting the invention to simultaneously operating two shafts, one connected to a radio receiving apparatus, the other to a television apparatus. The opinion refers to the patent's statement of the purposes of the alleged invention as illustrative of the fact that two shafts must be controlled and operated simultaneously,—not that they must necessarily be radio receiving apparatus and television apparatus shafts. We believe that the refer-

ence of this Court in the next to the last paragraph of page 722 of the opinion clearly points this out:

“The specification of the original patent states that the invention therein described ‘relates to improvements in automatic apparatus for turning rotatable objects about their axes to predetermined positions and more particularly to means whereby a plurality of such objects may be immediately and simultaneously rotated to any one of several pre-selected positions or “settings” which may be different for each rotated object.’ ”

and that in order to accomplish this purpose, two rockers 48 and 54, two tappets 61 and 62, and levers F and 66 are required.

This Court points out that the rocker 54, tappet 62 and levers F and 66 are mechanical elements necessarily included as essential to Leishman’s combination’s performance of such simultaneous tuning.

An error of appellant’s argument is thus illuminated, to-wit: that the claimed combination consists of *three* elements and that “Two of the three elements in the Crosley tuner were held by this Honorable Court to be the equivalents of the corresponding elements in the reissue patent here in suit. The third element in the Crosley tuner was held not to be the equivalent of the corresponding element shown in the patent.” (App. Br., p. 12; Cf. 1st par. p. 20.)

The applicable principle of law is that:

“* * * the elements combined in both cases must be the same, and combined in the same way, so that each element shall perform the same function, * * *.” (*Elec. R. R. Signal Co. v. Hall Ry. Signal Co.*, 114 U. S. 87.)

Thus, applying the last quoted rule, this Court points out that, as combinations, the Leishman and the Crosley combinations are separate and distinct; that they are "different combinations" in the patent law sense; and that there is no infringement because there is involved more than a mere substitution of a plunger for a lever. The basis of this holding was not that the use of plungers in lieu of levers was not known and common in the prior art, but that *in the combination* defined by the claims, plungers did not function in the same way as levers. The fact that both plungers and levers had been used in radio tuners in the prior art was shown by the record in the *Associated Wholesale Elec.* case and conceded by both parties to that case.* The patents to Bast 1,687,420, Faas 1,928,200 and Marvin 1,704,754 were cited by the Patent Office in the Crosley application, the file wrapper of which was offered in evidence as Leishman's Exhibit 21. The following is quoted from page 16 of the Reply Brief prepared and filed in this Court on behalf of Mr. Leishman by his attorney, Mr. Flam:**

*In Appellant's Reply Brief in the *Associated Wholesale Elec. Case*, at page 15, there appears in large bold-face type the heading:

"The Invention of Push Button Tuning Goes Back as Far as 1922, and Did Not Bring Automatic Tuning Into Use. The Wide Use of Automatic Tuning Did Not Come Until Appellant's Coaxial Tappet and Treadle Bar Appeared."

**Quoting from page 16, the following appears before this quotation:

"Appellee's statement that the plunger operating means of the accused device is responsible for the wide acceptance of automatic tuning, is at variance with the record.

"These statements are not made in good faith, because appellee's counsel Gibson Yungblut admittedly prepared and prosecuted the Crosley patent application on the accused tuner (II, p. 476) and knows that the claims he wrote on the plunger feature were all rejected because * * *."

Defendant in this *Associated Case* did not contend that Crosley was the first to invent or develop a plunger operated tuner.

“* * * plungers were used in the Bast, Faas and Marvin tuners, patented in 1928, 1933 and 1929, respectively. These patents were cited by the Examiner in the Office Action that appears on pages 20 and 21 of the Crosley file wrapper (appellant's physical exhibit 21). In addition to citing these three patents, the Examiner said:

“‘Claims 15 and 16 are rejected as unpatentable over Marvin. As broadly expressed in these claims, the members 34 of Marvin may be considered to be plungers and the adjustable means thereon the members 35 and 36.

“‘All claims are rejected.’

“However, plungers for automatic tuners go back even further than these patents, the decision in the case of *Jacke v. Long*; *Jacke v. Goldsborough*, 111 Fed. (2d) 184,* stating on page 186:

*In the event that appellant herein misinterprets the reference in Appellee's Reply to Appellant's Supplemental Brief (typewritten) to this opinion as he did in the District Court, it may be desirable to correct the interpretation of the statement that “the facts asserted in such opinion are not before this Court on the record herein.” This assertion definitely is to the facts asserted in such opinion and not “about the mere use of plungers” as claimed by defendant herein in the District Court. This is clear from the text, pp. 34-35, of said typewritten Reply to Appellant's Supplemental Brief.

“* * * Reference in Appellant's Reply Brief herein (p. 16) is to the opinion of the Court of Customs and Patent Appeals in the case of *Jacke v. Long*, 111 F. 2d 184. The facts asserted in such opinion are not before this Court on the record herein. It would appear, however, that the apparatus referred to was of the remote control class, wherein the audio radio receiving set is located at a distance from a series of push buttons which through electrical means cause the tuning shaft of the receiver to be operated. *This class of apparatus* is not exemplified in any of the exhibits in the record herein and is not discussed by any of the witnesses. This seems apparent from the recital (111 F. 2d at 185)—‘The device was, however, in one instance connected with a radio receiver * * * To this end the receiver was disconnected from its normal

“ ‘Subsequently while in California Jacke proceeded to electrify his mechanical unit of 1922. This necessitated the lengthening of the *push button rods*, * * *.’ ”

Cf. Appellant's Supplemental Brief, *Associated* case, pp. 9-15. “* * * *plunger tuners per se were already 15 years old.*” (Emphasis supplied; App. Supp. Br., p. 9.) “Some

location in the bookcase of the living room and transferred to the basement. The electric tuning device was connected to the shaft of one of the two tuning elements of the receiver and the push button pins adjusted for various radio signals. Then by hand tuning the other dial of the radio receiver to a known point for the station desired and pushing a selected button the station was received. * * * Obviously, this construction was not comparable to the Crosley push button plunger tuner, and it is not apparent why this reference is made thereto on p. 9 of Appellant's Supplemental Brief, unless it is to confuse, rather than to clarify, the actual facts upon which this Court is asked to determine the unsupported contention of appellant that The Crosley Corporation secured knowledge of coaxiality from appellant. Likewise, there is no proof that The Crosley Corporation's engineers, in designing and constructing its push button plunger tuners, had knowledge of the Woodbridge or Miller patents or structures.” (Emphasis supplied.)

Appellant urged the District Court herein that:

“Without any evidence before the Court to prove that plungers were well known equivalents in the art when the patent was granted, the appellee prevailed in its false contention that the plunger was an innovation with Crosley, and the Circuit Court accordingly ruled that the plungers of the accused device were not the equivalents of the levers shown in the reissue patent.

“The plaintiffs now retreat to the ground that even if levers and plungers were old in the prior art, they do not function in the same way, or in substantially the same way. The only difference between the functioning of a plunger and the functioning of a lever is that one is a plunger and the other is a lever. Having no evidence that levers and plungers were well known equivalents in this art, the Circuit Court thought that when the tappet is moved by a plunger it is not moved in the same way or in substantially the same way as when it is moved by a lever.” (Defendant's Rebuttal to Reply Memorandum for Plaintiffs, p. 6.)

of the very first mechanical automatic tuners that were suggested, employed plungers (see Rep. Br., pp. 15 and 16, and App. hereof, pp. 1 and 2, for plunger notations on patents cited by appellee), but in those days radio condensers, dial mechanisms, etc., worked so hard that any tuning device that approached commercial practicability had to use a lever instead—in order to get the mechanical advantage that Dr. Mackeown talks about.” (*Id.*, p. 15.) The list of prior patents identified in such appendix as “plunger operated” includes Bast, Marvin, Faas, British Patent to Freytag 405,716, Siemens & Halske German Patent 438,696, and Jacke 2,297,152 [application filed Nov. 20, 1928, II-231].

Merely to prove that a plunger *per se* was a well-known mechanical element does not prove that it was an equivalent of Leishman’s levers F or 66 when incorporated in a combination comparable to the combination of claims 7 to 11. There is nothing in this Court’s opinion in the *Associated Wholesale Elec.* case to indicate this Court considered it material whether “plunger tuners *per se* were already 15 years old.” This Court’s opinion of non-infringement is based upon noncomparability of the Crosley plunger to the Leishman levers F and 66 in the *Leishman combination* to which this Court limited claims 7 to 11; not upon whether a plunger and a lever cannot be equivalent in other relations or combinations. No material issue of fact therein would have been, or in the case *sub judice* was, raised by the offer of the seven patents (App. Br. pp. 34-44). Neither of these patents shows devices wherein a plunger is used in a relation comparable to or having the purpose and function of Leishman’s levers F and 66 in his claimed combination. Hence, on the issue of equivalency in this case, these patents are imma-

terial. This because none of them presents the use of a plunger adapted in its environment to perform in substantially the same way in the associated mechanism the work of the levers F or 66 in the Leishman mechanism. It is not that a plunger is not illustrated but because it is not so positioned and so inter-related that it could be substituted in Leishman's mechanism without a substantial change in the idea of means. Equally applicable is the pointing out by this Court that the Crosley tuner "has no tappet 62 nor any equivalent thereof." "It has no lever of any kind or character. Its tappets are operated (made to engage the rocker) by means of plungers," etc. (137 F. (2d) 727.)

Patent No. 290,894 to Kettell shows two modifications. One figure shows a slidable member having integral projections, the said member being slidable to strike projections upon a rotatable disc, the shaft of the said disc positioning the minute hand of a clock. Figure 2 shows, instead of a plunger, a pivoting member having similar projections, which pivots against a rotatable rod which also moves the minute hand of a clock.

No rocker-tappet-lever combination is shown, nor is a rocker-tappet-plunger combination shown. The members which Leishman calls tappets are but projections of the members which he refers to as plungers and levers. These projections are integral with the so-called plungers and levers and are not, as in the patented combination, pivotally adjustable with respect to the Kettell plunger or lever.

Patent No. 1,865,704 to Peck similarly shows no tappet element. It consists of a rotatable disc on the shaft to be positioned, the disc having links connected to a lever in one modification and to a plunger in another modification. When the lever is depressed or when the plunger is moved,

the links are extended to their furthest positions to move the disc to a predetermined position.

Danish Patent No. 52,047 also does not show tappets pivotally adjustable with respect to either levers or plungers. Figure 1 of the patent shows a plunger having a fixed cam follower roller on its end which coacts with a cam mounted on the shaft to be positioned. Figure 2 shows a similar cam follower mounted on a lever.

Patent No. 1,687,420 to Bast merely shows a rod thrust through a hole in a panel to contact a pivoting member.

Patent No. 1,704,754 to Marvin merely shows plungers slidable through a panel to coact with certain linking members. No tappets, and especially no pivotally adjustable tappets, are here shown.

The British patent to Freytag No. 405,716 shows a plunger which slides to abut against a pivotal member. There is no tappet mounted pivotally and adjustably on the plunger. Moreover, there is no rocker shown in the Freytag patent in the sense of the Leishman patented combination inasmuch as in the Freytag patent the pivotal member is not contacted by the adjustable rod on both sides of its axis, and is thus not confined to a predetermined position.

Patent No. 703,570 to Gerdes, a cash register patent, shows a plunger having a projecting portion which strikes a pivoting member attached to the shaft to be positioned. The plunger does not carry a pivotally adjustable tappet as in the patented combination. Moreover, no true rocker is shown here in the sense of the Leishman patent.

The German Patent No. 438,696 to Siemens and Halske is similar to the plunger modification of Kettell. It shows plungers having integral projections extending therefrom which strike extensions of the shaft to be positioned.

These projections are neither adjustable nor pivotally adjustable as with the tappet in the Leishman patent.

Patent No. 2,297,152 to Jacke does not remotely resemble the patented combination and apparently has been injected into this case merely to show that plungers have heretofore been used in radio tuning apparatus.

Coaxiality.

Interwoven in appellant's arguments of infringement are references to coaxiality. "This substantial coaxial relationship of the rocker and tappet in the tuned-in position is very important. That is the reason it is clearly shown in the drawings and stressed right at the end of the specification in the patent."* (App. Open. Br. p. 18.)

Leishman's original patent 2,108,538 [II-174-6] was addressed to a mechanism for simultaneously, synchronously tuning *two* radio sets, one for radio reproduction, and the other for television reproduction. For accomplishing this, Leishman described and illustrated the provision of two coaxial rockers mounted on a frame, and two coaxial tappets, one for each rocker, mounted on a manually actuated lever. All of the claims in this original patent, except claim 5, specified this dual structure. Claim 5 called for a rocker with two arms, and a means movable about a pivot to effect the angular positioning of the rocker by pushing one of the arms of the rocker—thus rotating it—until the rotation was stopped by the collision

*"When the lever assembly is all the way down, it will be observed from Fig. 2 that the pin 60 is substantially co-axial with the rockers 48 and 54, which means that in this position it is also co-axial with shafts S, 49 and 25, shown in Fig. 1." [II-170, Re-20,827 p. 2, col. 1, ll. 30-34.] The term "coaxial" appears only in claims 8 and 10 [*id.*, p. 3, col. 1, l. 17; col. 2, l. 6].

of the other arm of the rocker with the positioning means. Claim 5 depended for invention upon the substitution of a rocker, as the positioning means, for the more complicated racks and bars of the Schaefer patent 1,906,106 [Trans. Rec. Associated Case, Vol. III, p. 585]. Thus, in this original patent, Leishman claimed he had made an invention in applying Schaefer's lever and tappet to a rocker, as expressed in claim 5, and an invention in a dual tuning means, as expressed in the other claims of the patent. The original patent did not claim any invention in "coaxiality." The sole disclosure of coaxiality is contained in lines 30-36, col. 1, p. 2 of the original patent 2,108,538 [III-516, Associated Case]. What the patent says here is that in Leishman's dual tuning structure the pin 60 on which the two tappets are coaxially mounted should be substantially "coaxial" with the two rockers, which are themselves coaxial on shafts S, 49 and 25, when the lever assembly is all the way down. The purpose of coaxiality here has to do with the operation of tuning. If two tappets, coaxial on the lever, are to operate individually two rockers coaxial on a shaft, it is necessary that the axis of the tappets come down into line with the axis of the rockers when the lever is pressed home. If this is not done, then the contact of one of the tappets with its rocker will block further movement of the lever, and the other tappet, which has not yet fully positioned its rocker, will be prevented from so doing [Mackeown—Trans. Rec. Associated Case II-397-8]. This is a disclosure of the necessity, in a structure having two coaxial rockers and two coaxial tappets, of coaxiality for *operability* when the lever is pressed down. It is not a disclosure of coaxiality in a structure involving but one tappet and but one rocker,

wherein coaxiality is not imperative [*id.*, II-398]. When Leishman came along later to reissue his patent to claim coaxiality in a single rocker, single tappet combination, he reissued his patent for a different invention, and his patent is invalid under the decision of *U. S. Industrial Chemicals, Inc., v. Carbide and Carbon Chemicals Corp.*, 315 U. S. 668. Any contention that Leishman's disclosure of coaxiality in a double tappet, double rocker combination included the other disclosure (*i. e.*, coaxiality involving but one tappet and but one rocker) is answered in said decision:

"This court has uniformly held that the omission from a reissue patent of one of the steps or elements prescribed in the original, thus broadening the claims to cover a new and different combination, renders the reissue void, even though the result attained is the same as that brought about by following the process claimed in the original patent." (315 U. S. 678.)

Appellant's brief is vague as to what is the purpose of coaxiality in a single tappet, single rocker combination. Appellant's Supplemental Brief in the *Associated Case* (p. 24) mentions the "purpose of preventing the freely pivoted tappet and rocker from moving even 'a hair's breadth'." The implication seems to be that this has something to do with operability during tuning, whereas this is not the case. The purpose has to do with ease of adjustment, not during tuning, but during setting. When adjusting a tappet-rocker tuning device to bring in a station, the tappet is released, the lever or plunger pushed home, and the set tuned manually. The manual tuning positions the rocker, which in turn positions the tappet, and then the tappet may be tightened up on the lever or plunger.

The test for coaxiality is whether or not the lever or plunger "walks" when the rocker is rotating the tappet. If it walks, then near the extreme ends of the scale, pressure on the lever or plunger will tend to move the rocker even though the tappet be loose. This is undesirable, because it means that the adjusted position of the rocker may have to be forceably maintained while the tappet is being tightened up. But coaxiality in a single tappet, single rocker combination is not necessary to operability during tuning. As to setting or adjustment, coaxiality is merely a matter of permitting "the parts to move together harmoniously." If members rotating together, like the tappet and rocker during setting, are eccentric or non-coaxial, the pivot points or axes are going to walk. If the parts are coaxial, they will move harmoniously together without walking of the pivots. This is nothing more than the age-old understanding of the competent mechanics of the principles of concentricity and eccentricity.

A radio receiver is customarily provided with a means (usually a variable condenser or gang of variable condensers) which is rotated to tune the radio receiver to a particular broadcasting station to be received. Presumably, a television receiver would have a similar tuning means which upon rotation would tune a television receiver to a television broadcasting station. The reissue patent in suit shows a mechanical device which was intended by the patentee to simultaneously tune both a radio receiver and a television receiver in response to the movement of a single lever.

The reissue patent in suit is not concerned, however, with the electrical characteristics of a radio or of a television apparatus. It is solely concerned with a mechanical device for automatically turning, in response to the

operation of a lever, the tuning controls of a radio and television apparatus to the particular position necessary to tune in the predetermined radio broadcasting station and its associated television broadcasting station.

The devices complained of herein are radio receivers only and have no associated television apparatus. We are concerned in this suit, therefore, only with the portions of the mechanism of the patent in suit which are designed for tuning a radio receiver.

The mechanism of the Leishman reissue patent may be readily understood from a study of the reproduction (Fig. 1 of this brief) of Fig. 2 of the drawings of the reissue patent. Referring to Fig. 1 of this brief, it will be seen that the mechanism of the patent includes a lever A pivoted at Q. The lever A has a projection to which is pivoted a cam or tappet B. A rocker C is mounted upon a shaft which is intended to be connected with the tuning shaft of a radio receiver. The position of the cam or tappet B on the lever A may be fixed by a friction lock actuated by a second lever D pivoted to the lever A and held by a set screw E. The spring F normally holds the lever assembled up and out of the way.

With this apparatus, after the cam or tappet B has been locked in a certain position on the lever A, whenever the lever A is pressed downwardly, as by the operator's finger on the set screw E, the cam or tappet will contact the rocker C and rotate the rocker to a predetermined position. If the cam or tappet has been properly set, this rotation of the rocker C will move the tuning shaft of the radio receiver to the correct position for bringing in a selected radio station.

In the drawing (Fig. 1 of this brief) there appears a second cam or tappet H which is mounted upon the lever

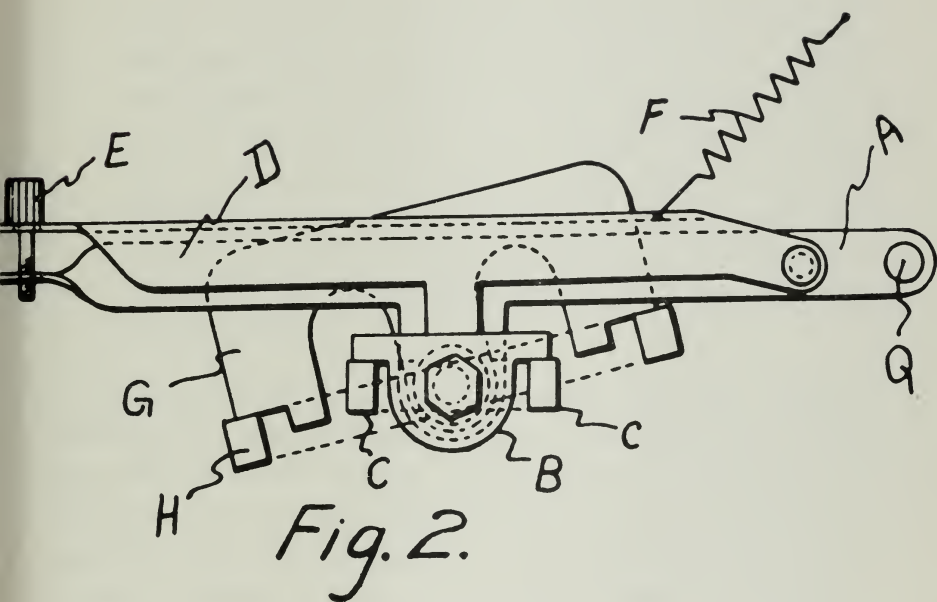


Figure 1
Patent in Suit

A and is shaped to contact another rocker mounted upon a shaft distinct from the shaft of the rocker C, which second shaft is intended to be the tuning shaft of a television receiving apparatus.

Coaxiality was an afterthought with Leishman.

“The fact that the original claim No. 5 made no claim to coaxial relationship and much stress placed thereon in the reissue patent, and that the reissue was not applied for until after plaintiff examined the accused device and became aware of the Marschalk patent, tend to lead one into the belief, that the coaxial relationship was an afterthought, brought into being to save his patent from the defense of anticipation.”

[Trans. Rec. Associated Case, Opinion of District Court, I-28-9.]

Appellant's brief in the *Associated Case* (pp. 16-19) attempted to question this finding of the lower court and to assert that the feature of coaxiality was included in claims 1 and 2 of the original Leishman patent (claims 1 and 2 of the reissued patent). The contention that there is any reference to coaxiality in either claim 1 or claim 2 is fallacious. All that claims 1 or 2 specify is that the adjustable tappets are “pivoted to said lever at a point *substantially* as far from the fulcrum of said lever as said axis is from said fulcrum.” The language relied on by appellant does not define coaxiality. *One* of the *two* things necessary for coaxiality is that the distances be as specified in claims 1 and 2, but this is only one of the two necessary conditions and clearly does not support appellant's contention that Leishman ever had any intention of claiming coaxiality previous to the filing of his reissue patent in suit. [Cf. Trans. Rec. Associated Case, II-412, quoted in Appellant's Brief therein, p. 18.]

By “coaxiality” appellant has reference to the fact that in the device of the patent in suit the axis of the rocker C and the axis of the tappet B coincide at the time the tappet B is in engagement with the rocker C, as illustrated in the drawing, Fig. 1 of this brief. The Court will note in Fig. 1 of this brief that the rocker has two spaced arms C-C and that the downwardly extending rounded portion of the cam B passes between these two arms when the lever A is depressed to bring the tappet B into engagement with the rocker C.

Leishman found *two* conditions necessary to secure coaxiality, the first of these conditions being that the distance between the axis of the rocker C and the pivot point Q of the lever be equal to the distance between the axis of the tappet B and the pivot point Q of the lever. This condition or factor is included in said claims 1 and 2. The second of these conditions is that the tappet and rocker be specially shaped so that the rounded portion of the tappet B be capable of passing between the arms of the rocker for a certain distance. This condition or factor is not disclosed by or made an element of either of said claims 1 or 2—much less is the mechanical structure disclosed or defined, upon which this condition or factor is dependent. (See *General Electric Co. v. Wabash Appliance Corp.*, 304 U. S. 364, 368, 371-2, 374.) The mechanical features or construction which comprise such careful designing must be made a part of the claim, or under *General Electric Co. v. Wabash Appliance Corp.*, they are not a part of the claim. This condition or factor is not disclosed by or made an element of either of said claims 1 or 2—much less are the mechanical structures, upon which this condition or factor is dependent, disclosed or defined. They are not, therefore, a part of the claim

and without them coaxiality is not defined as part of the claim. The applicable principle of patent law is that in interpreting a patent claim anyone, including the courts, “* * * may not add to or detract from the claim * * *” (*Cimiotti Unhairing Co. v. American Fur R. Co.*, 198 U. S. 399, 410).

Reissue claims 8, 10 and 11 are limited to the coaxial relation of the tappet and rocker when the lever is in this Fig. 1 position. Claims 7 and 9 do not directly specify coaxiality. They state only that the rocker C is recessed or hollow. In connection with its contentions directed to the drawing “Appendix A” of appellant’s brief (*Associated Case*), appellant definitely admitted that coaxiality is not established merely because a rocker is recessed or hollow. Appellant does not assert that there is any invention defined by either claim 7 or 9. Merely because a recessed or hollow rocker is specified therein, claiming a recessed or hollow rocker does not necessarily define a coaxial relationship between the tappet and the rocker. Such a coaxial relationship of the tappet and rocker is not specified, and is in fact admitted by appellant not to be specified in either claim 7 or 9. However, unless coaxiality can be read into claims 7 and 9, appellant does not contend that either of said claims defines a patentable invention. It is thus seen that all of the claims in suit are invalid unless the claim includes the mechanical features and relationships which constitute coaxiality, and that coaxiality is the ultimate relation of the parts upon which dependence is placed in support of an argument of invention. Therefore, the statement in the opinion of the District Court in the *Associated Case* is correct,—“* * * the coaxial relationship was an afterthought, brought into being to save his patent from the defense of anticipation” [Trans. Rec. *Associated Case*, I-29; *Cf. F. F.* 18, I-36].

This coaxial relationship was not the invention claimed or patented by the original letters patent. Therefore, this Court did not consider it necessary to refer in its opinion to any portion of appellant's argument based upon coaxiality.

The feature of coaxiality contributes nothing to the accuracy of the device but only facilitates the adjustment of the tappet.

"The coaxial relationship is only important as a means of insuring accuracy at the time of the adjustment of the tappet. It is of importance in that respect for the reason that when the rocker is turned to the proper position for the bringing in of the desired station, the loosened tappet when brought into engagement with the rocker, may be set in proper position by the adjustable means, free from any play. Any play would result in inaccuracies that would destroy the effectiveness of the device. The mechanical problem therefore was to ascertain a means for the accurate and simple adjustment of the tappet. The evidence clearly discloses that the mechanical department of the Crosley Corporation had little trouble in solving this particular problem when it decided upon the use of the rocker and tappet combination. The Marschalk patent used an adjustable means for the adjusting of the tappet, and with this patent as a guide, the problem before a machine designer would be to develop an improvement in the adjusting means: 'Ordinarily there is no invention in making parts of a machine adjustable.' Amdur Patent Law & Practice, P. 148, Par. 57. The adjustable means used by the plaintiff was similar to Schaefer's and the coaxial feature was used solely to prevent play at the time of adjustment.

“Coaxial, simply means on-center and is some times referred to as concentrical or symmetrical. The importance of the mechanical relationship is well known in the art and a feature that must be considered in all machine designing when you desire parts to move together harmoniously and free from friction. The same principle is used in the crank shaft of any automobile. It is a mechanical principle that is hundreds of years old. Both the experts of the plaintiff and the defendant agree in this respect. * * *” [Opinion of the District Court, Associated Case, Trans. Rec. I-29-30; Cf. I-20-22, incl.; I-36-37.]

Since coaxiality between a tappet and rocker is the sole feature which is supposed to endow the claims in suit with the element of invention, it is necessary to ascertain precisely what is actually accomplished in the device of the patent in suit by this coaxial relationship. Appellant's brief makes many confusing statements concerning the necessity that a radio tuner be accurate and contains many references to automatic frequency control circuits. The inference might be drawn from appellant's brief that coaxiality improved the accuracy of the device and eliminated the necessity of employing automatic frequency control circuits. The record in the *Associated Case* establishes without contradiction that coaxiality has nothing to do with the accuracy of the device once the tappet is adjusted, and has nothing to do with the use in the radio art of automatic frequency control circuits, or the failure of the art to use such circuits.

Coaxiality is shown in the record to be a feature which merely facilitates the adjustment of the tappet. It does this and nothing more. The lower court [Associated Case, Trans. Rec. I-27, 28] correctly points out that in

cash registers it is unnecessary to provide a coaxial relationship between the tappet and rocker for the reason that the manufacturer of a cash register knows precisely the amount that the tappet should rotate the rocker, and he governs this by the shape of the tappet. Because of the large number of broadcasting stations on the air today, it is not possible to provide sufficient controls on a radio to enable the user to automatically tune the radio set to all of the broadcasting stations. Accordingly, in a radio receiver it is desirable that the tappets be ajustably mounted on the lever, so that they may be set to bring in the particular broadcasting stations desired by the ultimate user. Coaxiality facilitates the adjustment of the tappet, so that the operation of the lever will bring in the particular station desired by the ultimate user. A typical adjustment of the tappet is as follows (again referring to Fig. 1 of this brief):

The tappet B is first unlocked on the lever assembly so that it is free to turn on its pivot. The lever assembly is then brought down so that the tappet B engages the rocker C. Then, still holding the lever assembly down, the operator tunes the radio receiver by means of the usual hand-tuning knob until the radio receiver is in tune with the particular broadcasting station desired. This operation rotates the rocker, and the rocker in turn rotates the tappet B. When the tappet has thus been rotated to its desired position, the operator locks the tappet in this position by means of the set screw. The adjustment is then complete. Thereafter, when the lever assembly is pressed down, the tappet (which is now locked from rotating with respect to the lever) will rotate the rocker to the position to tune in this particular broadcast-

ing station. This adjusting operation is described in the patent in suit [II-170, p. 2, col. 1, ll. 3-23].

In this adjusting operation, if the axes of the rocker C and the tappet B are concentric or coaxial, the rotation of the tappet B by the rocker will not tend to move the lever A. If the tappet B and rocker 7 are not on concentric axes but on eccentric axes, then the rotation of the tappet by the rocker will require that the lever A move either up or down. The operator may still accurately set or adjust the tappet, but he must be careful during this adjustment and during the subsequent locking of the tappet B by the set screw not to exert too great a pressure on the lever A, or the tappet may slip from the desired position.

It is thus seen that if the rocker and cam are concentric or coaxial during the adjusting operations they are free to rotate together without causing the lever to move up and down. If the axes of the tappet and rocker are eccentric to each other, then lever A *must* move up and down or “walk” when the rocker rotates the tappet during the adjusting process.

It is apparent that coaxiality thus contributes only to the facility with which the tappet may be locked in its intended position, and whether coaxiality exists is thereafter immaterial to the accuracy of the device. Appellant’s opening brief in the *Associated Case* (p. 9), stated:

“Once the tappet 61 of the patent in suit or the tappet 44 of Marschalk is accurately adjusted about its respective pivot, repeated operations of the mechanism for bringing the tappet into operative relationship with the rocker will accurately bring the rocker to a preselected position corresponding to the desired station.”

The device of the Marschalk patent [Associated Case, Trans. Rec. III-639], which does not provide for coaxiality between the tappet and rocker, is as accurate in tuning the radio apparatus as the device of the patent in suit after the tappet has been locked in position. There is no great difficulty in accurately setting the Marschalk device.

“The Court: * * * The court has tried the instrument and the witness’ testimony does not add anything to what the court has already ascertained from an examination and an effort on its part to work the mechanical device. I had no difficulty in setting the device at the extreme end, but it is true that a person has to use a greater amount of care. That was the result of the court’s own experiment with the instrument.” [Associated Case, Trans. Rec. I-254.]

See also, testimony of Mackeown [*id.*, II-398-9].

In the *Associated Case*, appellant’s brief (pp. 23-24, for example) sought to confuse this Court by drawing a distinction between the use of coaxiality for permitting the tappet and rocker to turn together as a unit and the use of coaxiality so that the tappet and rocker may be in engagement “without either of them moving even a hair’s breadth.” The distinction made by appellant is a mere play on words. At the trial, the testimony of all the witnesses, including Leishman and Loehr for appellant and Mackeown for appellee, was in agreement that the advantage of coaxiality is that during this adjustment process the tappet and rocker are free to turn as a unit, thereby avoiding the necessity of the lever itself moving or “walking” during the adjusting operations. It is, of

course, true that in locking the tappet in its adjusted position it is desirable that any pressure exerted on the lever during the locking procedure shall create no tendency to turn either the rocker or tappet. One, of course, follows the other. The concentric relationship of the tappet and rocker allows them to either turn as a unit as desired in the adjusting process or stand without turning as desired in the tightening step.

Leishman's own definition in the *Associated Case* [Trans. Rec. I-170] of the substance of coaxiality was:

“Q. Why is it that you want these pivots coaxial? What is it you want to accomplish by that?

A. I want to have it so they will move as a unit during the adjusting process and so that there won't be any tendency during the adjusting process for any extraneous movements of the one to move the other.”

**The Crosley Method of Securing
Coaxiality Is Not Equivalent
to That of the Reissue Patent
in Suit.**

Patents on devices and machines are not granted on ideas, principles or abstractions (*Burr v. Duryee*, 68 U. S. 531), but are granted on structures. Even if coaxiality were not old in the art and were not a mere matter of mechanical skill, Leishman still could not obtain a patent of coaxiality as an abstraction or principle. His patent cannot be infringed by another structure merely because such other structure can be characterized by coaxiality, unless the mechanical means for obtaining coaxiality are

substantially the same as the mechanical means of the Leishman patent and function in substantially the same way.* In Appellant's Opening Brief in the *Associated case*, the stress laid by appellant in seeking to distinguish the coaxiality of Leishman from that of Schaefer necessarily leads to the conclusion that Leishman's invention lies only in the particular combination of elements shown containing coaxiality. The Crosley method of securing coaxiality is not the method of Leishman. Leishman secured alignment in the horizontal direction by causing the pivot point of his cam or tappet on the lever and the pivot points of his rocker to lie an equal distance from the pivot point Q of the lever. This mode of securing coaxiality is precisely the same as that of Schaefer. In the Leishman patent, the vertical alignment is obtained by interspaced arms which permit the pivot-carrying portion of the tappet to lie between the arms of the rocker. This again is precisely the same means of obtaining coaxiality as that of Schaefer. But Crosley, in securing horizontal alignment, passed a reciprocating plunger completely through the rocker and provided a side bearing on both sides of the rocker. Coaxiality itself is obtained by entirely different means, with an entirely different mode of operation. The fact that coaxiality is not attained in the accused devices by the method of the reissue patent in

*Pursuant to the argument made on behalf of the defendant in the *Associated Case*, that the Crosley method of securing or effecting coaxiality with the use of plungers differed from the Leishman method of securing coaxiality with the use of levers, this Court in its opinion found that the function performed by the plungers in the defendant's devices "is not performed in the same way, or in substantially the same way" as that performed by the levers in the Leishman combination.

suit appears clearly from the testimony of Dr. Mackeown in the *Associated Case* [Trans. Rec. II-412-14]:

“A. It is the design of the apparatus—the means are quite different but in both cases you get the result that the axis of the cam is located at the axis of the rocker bar. The means of getting them are quite different because one is a lever system and the other is a push rod system.

“Q. That is what I would like you to go into and contrast or compare, so far as that symmetry is concerned, the lever system of the patent in suit and the push button system of the defendant’s accused device.

“A. There are two things that are necessary in the apparatus of the patent in suit to obtain this coaxiality. One is that the distance between the pin 60 and the pivot Q shall be equal to the distance between the pivot Q and the axis of the shafts 25 and S. Then the other is the requirement that the tappets be so shaped that, when the lever is pushed home, the axis of the tappets will line in what I call a vertical direction with the axis of the rocker bars. It should be noted that in the apparatus of the patent in suit the rocker bars have a very considerable thickness. This is practically necessary because they have a small width and to get the adequate strength they must have considerable thickness. And they are pivoted at their centers. This means, then, that the axis of the tappets had to be much lower than the contact points of the tappets. In this respect it differs quite a bit from the device of the defendant where the axis of the tappet is very closely aligned with the contact points of the tappet. That is following the same construction as Schaefer. That has some advantages in having the contact points of the tappet on the same line as the axis. Then, in the defendant’s apparatus, to secure this coaxiality, since you have a push rod

motion, it is necessary to locate the position of the axis of the tappet in both a horizontal and vertical direction so that, when the push button is pushed home, it will line up with the axis of the rocker bar. This is accomplished by having two bearings, slide bearings, for the push rod, one above and one below the rocker bar, and these bearings, in combination with the adjusting washer at the top and the positioning bar at the bottom, locate the center of the tappet so that it will lie in a vertical line which will pass through the axis of the tappet. Then, to locate the horizontal direction, the tappet, or the axis of the tappet, is placed in such a position that you will get coaxiality in the vertical direction. In the design of the defendant's apparatus the axis of the rocker bar is very, very close to the top surface. It is pretty nearly at the top surface. I believe it is about a fiftieth of an inch below the top surface. And for this reason you can put the axis of the tappet and the contact points on nearly the same straight line with advantage. I think that, again, points out the main differences of obtaining coaxiality in the two cases."

To construe the Leishman reissue patent to cover this fundamentally different mode of obtaining coaxiality is to cease to construe the Leishman reissue patent as for a machine, and to construe it as a patent on a principle or abstraction,—

"A function is not patentable . . . The structure and not the function is the thing to be secured by the claim. A functional claim is one that has for its subject the performance of an act merely, and not the means by which that act is executed. It is not for a substantive thing, but for the result which that thing accomplishes . . . A claim for

the function of the invention is void. (Matthews v. Shonberger, 4 Fed. 635; Tyden v. Ohio Table Co., 152 Fed. 183, C. C. A. 6th; Corrington, *et al.* v. Westinghouse A. B. Co., 173 Fed. 69, 78; Heidbrink v. McKesson, 290 Fed. 665, C. C. A. 6th; Mastoras v. Hildreth, 263 Fed. 571, 576, C. C. A. 9th; Hunt, Helm, Ferris v. Coos Libbey Co., 283 Fed. 58, C. C. A. 7th.)” (*Deller’s Walker on Pats.*, Vol. II, §168, pp. 795-6.)

The application of these rules is well illustrated in *Grant v. Koppl*, 99 F. 2d 106, where this Court said (p. 110):

“We note that appellant contends that the claims of the patent in suit read upon appellees’ device. We may assume that this is true, especially as to claim 9. But infringement is not a mere matter of words. *Henderson v. Welch Dry Kiln Co.*, D. C., 26 F. 2d 810, 814; *Goodyear Shoe Mach. Co. v. Spalding*, C. C., 101 F. 990, 994; *Linde Air Products Co. v. Morse Dry Dock & Repair Co.*, 2 Cir., 246 F. 834, 838; *Bird v. Elaborated Roofing Co. of Buffalo*, 2 Cir., 256 F. 366, 373. Here, we hold that the mode of operation is different and that there is no equivalency of means. It is not necessary to discuss the claims separately or in detail. We agree with the finding of the trial court that there is no infringement.”

If the claims of the Leishman patent in suit are not wholly invalid for want of invention, they clearly must be restricted to the thing shown by Leishman. The prior art clearly requires such a construction of the Leishman patent. Every physical element of the structure of

Leishman is old in the art, and in substantially the same combination. Coaxiality—upon which so much stress is laid by appellant—is equally old and was obtained by the prior art in the same way. The structure shown in the Leishman patent is an impractical one and has never had any sort of public or commercial use. Leishman contributed nothing to the practical or theoretical advancement of the art. The patent must be given a narrow construction if the reissue claims are to be sustained.

If the reissue claims can be deemed to express any invention at all, that invention is not found in the accused structure.

Appellant attempted in the District Court to make it appear that the plunger or the lever has nothing to do with coaxiality, but that, on the contrary, coaxiality is tied up with the arrangement between the tappet and the rocker. Infringement is therefore reduced down to a mere substitution of a plunger element for a lever element. This contention was fully presented to this Court in the *Associated Case* and rebutted by the testimony of Dr. Mackeown in that case herein quoted (pp. 55 and 56), where it is demonstrated that the relationship of coaxiality is also tied up in Leishman with the lever, its mounting and its movement, and is tied up in Crosley in a different way with the plunger, its mounting and its movement.

**Appellant's Interpretation of
Claims 7-11 Is Wholly Contrary
to This Court's Interpretation
Thereof.**

Although Appellant's Opening Brief (p. 21) states:

"The decision in the *Associated case* will be better understood if we first apply a couple of the claims at issue to the tuners made by appellees and the Crosley Corporation. The claims, of course, point out the portions of the structure shown in the patent that embody the invention of the patentee,"

its discussion of claim 7 concludes (p. 23):

"* * * It clearly does not include either a lever nor a plunger as an element of the combination. Aside from the spring, it calls only for the rocker and the tappet, the elements shown on page 19 of this brief."

Of claims 9, 10 and 11 it is said (p. 23):

"Claims 9, 10 and 11 are substantially the same as claims 7 and 8 excepting that claims 9, 10 and 11 include a manual operating member. These claims do not specify what kind of a member this must be, because the tappet and the rocker do the real work of the combination, and it makes no difference to these elements whether the tappet is moved by a lever, a plunger, a wheel, a link, a pull-chain, or some other means."

This is clearly erroneous in law. The purpose of this Court's interpretation of these claims was to limit them to the same invention "disclosed in the original patent" and "intended to have been covered and secured by the original" patent. This necessity is specifically recognized by this Court.

No attempt is made in Appellant's Opening Brief to apply the claims as so limited either to Leishman's combination as disclosed in the patent's descriptive specification or illustrated in the patent's drawings, or to compare such an analysis of the claims to the Crosley, Radio Condenser Company Model 28 or General Instrument Corporation Model 31 tuners. Appellant's comparison is worthless as a means or yardstick for determining the question of law involved, *i. e.*, infringement. It is well settled:

"* * * That a claim for a combination to be valid must be for an operative combination is clear. *F. F. Slocomb & Co., Inc. v. Layman Machine Co.* (D. C.), 227 Fed. 94, 104; *Id.*, 230 Fed. 1021, 144 C. C. A. 286; *M'Caslin v. Link Belt Machinery Co.* (C. C.), 139 Fed. 393; *Id.*, 147 Fed. 243, 77 C. C. A. 385." (*Pacific States Electric Co. v. Wright*, 277 Fed. 756, 758 (C. C. A. 9).)

"* * * Otherwise the claim would be invalid as omitting essential elements of the invention." (*Moody v. Thompson Mfg. Co.*, 99 F. 2d 97, 101 (C. C. A. 9).)

The patent in suit cannot be broadly construed to include the plunger type of device complained of herein.

The question of infringement is not alone one of whether the accused device literally responds to the words of the claims of the patent in suit (*Westinghouse v. Boyden*, 170 U. S. 537). Irrespective of the wording of the claims, the scope of every patent is limited to the invention described in the claims contained in it, read in

the light of the specification (*Lehigh Valley Railroad Co. v. Mellon*, 104 U. S. 112; *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U. S. 405; *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502). The question of infringement further involves a determination of the breadth of the claims in the light of the prior art. It cannot be divorced from an inquiry into what, if anything, the patentee has contributed to the art, and whether or not defendant has appropriated *that contribution*:

“In administering the patent law the court first looks into the art to find what the real merit of the alleged discovery or invention is, and whether it has advanced the art substantially. If it has done so, then the court is liberal in its construction of the patent, to secure to the inventor the reward he deserved. If what he has done works only a slight step forward, and that which he says is a discovery is on the border line between mere mechanical change and real invention, then his patent, if sustained, will be given a narrow scope, and infringement will be found only in approximate copies of the new device. It is this differing attitude of the courts toward genuine discoveries and slight improvements that reconciles the sometimes apparently conflicting instances of construing specifications and the findings of equivalents in alleged infringements.” (*Eibel Process Co. v. Minnesota & Ontario Paper Co.*, 261 U. S. 45, 63.)

Leishman shows in his patent a structure having a lever, a cam mounted on the lever, and a rocker upon which his cam acts, with coaxiality between the cam and

the rocker when the lever is pressed home. The claims, no matter what they say, must read upon and be interpreted in the light of this specific apparatus. If some other or different apparatus can be held to infringe the claims, this can be done only by an application of the doctrine of equivalents.

To be an equivalent, an element must perform the same function as the element disclosed, and must perform it in substantially the same way to obtain substantially the same result (*Bates v. Coe*, 98 U. S. 31, 42; *Union Paper Bag Machine Co. v. Murphy*, 97 U. S. 120, 125).

Appellant in order to argue that a patentable invention is present in the substitution by Leishman of a rocker for the rack and pinion of the Schaefer (Zenith) device, has necessarily urged a very narrow application of the doctrine of mechanical equivalents. Having made this argument to distinguish the Leishman purported invention from the Schaefer device, he is bound by the narrowness of this distinction upon which he relies. When the issue of infringement is to be determined, he cannot assert a different and broader application of the doctrine of equivalency, which broad application is necessary to bring the accused plunger-operated device within the scope of the reissue patent in suit.

The patent in suit, we believe, is entitled to no range of equivalents, but must be restricted to the exact thing shown. The cam, the lever, the rocker, and coaxiality are not only all old, but are admitted to be so. If this

leaves the patentee anything at all, it does not go beyond the specific mechanism disclosed.

In *Office Specialty Mfg. Co. v. Fenton Metallic Mfg. Co.*, 174 U. S. 492, 498, the Supreme Court, finding that the Hoffman patent covered the combination “not only of old elements, but of old results, and no new function is evolved from such combination,” restricted the patent to precisely what was shown *in the drawings*.

In the recent case of *Nye & Nissen v. Kasser Egg Process Co.*, 96 F. 2d 420, 423 (C. C. A. 9), this Court found noninfringement on similar grounds, saying:

“* * * It is of course true that the fact that the elements of a combination are old does not negative invention. But where, as here, the prior state of the art shows not only that the elements of a patented combination are not new but that the idea of a patent is embraced in prior patents *designed to do the same work in a similar manner* (such as the patents to Clairemont* in the case at bar) such patent should be narrowly, not broadly, construed.” (Emphasis supplied.)

The device described in the reissue patent in suit has never gone into public use at all. No such device has ever been made or sold. Under these circumstances the patent and its claims must be narrowly construed. This Court in *Henry v. City of Los Angeles*, 255 Fed. 769,

*The Schaefer patent admittedly performs the same function and by the same means, in the present record.

780, quotes the rule from *National Malleable Castings Co. v. Buckeye M. I. & C. Co.*, 171 Fed. 847:

“ ‘The use we make of the fact that the device has never gone into actual service is in the construction or interpretation of the patent. We are justified, in view of the facts of this case, in exercising much caution in attributing to this patent anything more than is plainly shown and distinctly claimed. * * * This inference from nonuse, under the circumstances, is the converse of the inference drawn with respect of a doubtful patent when a showing is made that it has gone into large use and has displaced other devices. It is an inference against utility from the fact of long nonuse, unexplained by want of means or opportunity.’ ”

See, also: *Stewart-Warner Corp. v. Jiffy Lubricator Co.*, 81 F. 2d 786, 793 (C. C. A. 8); *Roberts v. General Elec. Co.*, 85 F. 2d 964, 965 (C. C. A. 3); *Dernell Potato Products Co. v. Snelling*, 38 F. 2d 788, 789 (C. C. A. 2); *Cocks v. Rip Van Winkle Wall Bed Co.*, 28 F. 2d 921 (C. C. A. 9); *Hoppenstand v. Mack-International Truck Co.*, 89 F. 2d 360 (C. C. A. 3); *Shearer v. Atlas Radio Co.*, 94 F. 2d 304 (C. C. A. 6); *Dillon Co. v. Continental Supply Co.*, 98 F. 2d 581 (C. C. A. 10); *Wire Tie Mach. Co. v. Pacific Box Corp.*, 102 F. 2d 543 (C. C. A. 9); *Elvin Mechanical Stoker Co. v. Locomotive Stoker Co.*, 286 F. 309, 311 (C. C. A. 3); *Delaney Patents Corp. v. Johns-Manville Corp.*, 29 F. Supp. 431 (D. C. S. D. Cal.).

The device described and shown in the Leishman patent represents no advance in the art at all over the prior

Schaefer (Zenith) device. It has the same bulky lever construction, and if any effort had been made by Leishman to market his device, it would have been rejected by the trade, for the same reasons that the Schaefer (Zenith) device had to be discarded. Appellant contends that the levers of the Leishman patent are the equivalent of the plungers of the accused Crosley device. The above cases clearly show that we must consider the character of the advance (if any) made by the patentee, in determining whether one mechanical element is the equivalent of the other. In this case it clearly requires the Court to apply the rule that the patent in suit is not entitled to any equivalents, but should, on the other hand, be confined to the specific device shown in the drawings and specification. Clearly, a broad construction of the claims of the reissue patent in suit should not be applied, where such a broad construction would not represent the actual invention of the patent. It is not sufficient to show merely that the lever and plunger accomplish the same result in moving the tappet into contact with a rocker. It must be shown that the means or elements perform their functions in the same way. (*General Elec. Co. v. Parr Elec. Co.*, 21 F. Supp. 471; *Williams Iron Works v. Hughes Tool Co.*, 109 F. 2d 500 (C. C. A. 10); *Union Paper Bag Mach. Co. v. Murphy*, 97 U. S. 120; *National Hollow Brake-Beam Co. v. Interchangeable B. B. Co.*, 106 F. 693 (C. C. A. 8); *Electric Protection Co. v. American, etc. Co.*, 184 F. 916.)

There Was No Error in the District Court's Granting Summary Judgment in This Case.

No issue of fact requiring testimony was presented. Any issue of infringement is a question of law to be decided by the court. As said by the Circuit Court of Appeals, Second Circuit, in *Engl v. Aetna Life Ins. Co.*, 139 F. 2d 469, 472-3:

“* * * The express language of Rule 56, read in its natural context, is to the contrary, for sub. (c) provides that ‘the judgment sought shall be rendered forthwith if the pleadings, depositions, and admissions on file, together with the affidavits, if any, show that, except as to the amount of damages, there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law.’ Here the depositions, taken at their face value, and construed in the light of the underlying law of the state, show that there is no genuine issue of material fact and support the judgment rendered.

“But the matter is sufficiently important so that we should go beyond the bare words of the summary-judgment rule to the reasons behind it. The federal summary judgment proceeding is the most extensive of any jurisdiction in that it is equally available to plaintiffs and defendants and in all forms and kinds of civil actions. But the history of the development of this procedure shows that it is intended to permit ‘a party to pierce the allegations of fact in the pleadings and to obtain relief by summary judgment where facts set forth in detail in affidavits, depositions, and admissions on file show that there are no genuine issues of fact to be tried.’ 3 Moore’s Federal Practice 3175. In New York the question

of constitutionality was settled by considering the procedure as one to determine whether a defense or issue formally stated between the parties was merely sham and not *bona fide*. Formerly this could be determined only on the face of the pleadings; the only essentially new step was to allow such a showing to be made on the basis of detailed affidavits. The rationale is well stated in one of the leading cases establishing constitutionality, *Hanna v. Mitchell*, 202 App. Div. 504, 518, 196 N. Y. S. 43, 55, affirmed 235 N. Y. 534, 139 N. E. 724: 'To say that a false denial, which defendants are unable to justify, must nevertheless put the plaintiff to his common-law proof before a jury, although the result would be a directed verdict in plaintiff's favor as a matter of law, is to exalt the shadow above the substance.' Hence we have often held that mere formal denials or general allegations which do not show the facts in detail and with precision are insufficient to prevent the award of summary judgment. See, for example, *Shotkin v. Mutual Benefit Health & Accident Ass'n*, 2 Cir., 138 F. 2d 531; *Altman v. Curtiss-Wright Corp.*, 2 Cir., 124 F. 2d 177, 180; *Milcor Steel Co. v. George A. Fuller Co.*, 2 Cir., 122 F. 2d 292, affirmed 316 U. S. 143, 62 S. Ct. 969, 86 L. Ed. 1332; *Bushwick-Decatur Motors v. Ford Motor Co.*, 2 Cir., 116 F. 2d 675; *Banco de Espana v. Federal Reserve Bank of New York*, 2 Cir., 114 F. 2d 438, 445; *Piantadosi v. Loew's, Inc.*, 9 Cir., 137 F. 2d 534; *Board of Public Instruction v. Meredith*, 5 Cir., 119 F. 2d 712, certiorari denied 314 U. S. 656, 62 S. Ct. 109, 86 L. Ed. 526."

No Error Exists in the District Court's Failure to Hold That Appellees Were Bound by the Decision in This Oklahoma Case (Spec. of Errors No. 9, I-9), nor in the District Court's Denial of Leave to Appellant to Interject This Issue into This Case (I-134).

Appellant urges this judgment as having two distinct relevancies in this case: (1) as an interlocutory judgment contrary to the court's judgment in the *Associated Case*; (2) that appellees are bound by, and that it is *res adjudicata* between appellant and appellees upon, all issues of this case.

Comity does not compel; it only persuades. The record herein does not contain the answer of defendant in the Oklahoma case. It is not possible from the transcript of the record herein to determine whether the defense that the Re-20,827 is not for the same invention as the original patent was pleaded or properly raised or presented in the Oklahoma case or considered or passed upon by the Oklahoma District Court. There is nothing in the record herein from which this Court can infer that the Oklahoma District Court even had before it this Court's *Associated Case* opinion. No reference thereto is made in the Oklahoma District Court's findings or conclusions [I-52-60]. The interlocutory judgment is likewise silent. It does not even adjudge Re-20,827 to be for the same invention as the original patent. No copy of any opinion of the District Court is available. Appellees' attorneys know of no such opinion.

This interlocutory judgment goes further than this Court's judgment, in that it adjudges Re-20,827 and claims 7-11 thereof valid [I-61, par. 2]. This presents a

question of law that this Court found unnecessary to determine. This interlocutory judgment is contrary to this Court's judgment in that it adjudges appellees' tuners infringed these claims [par. 3; *Cf.* F.F. 26, I-59]. The rationale upon which the Oklahoma District Court decided this question of law cannot be ascertained from examination of anything in this record.

The District Court denied appellant leave to file "Defendant's First Supplemental Answer and Second Supplemental Counterclaim," appearing in the record herein [I-72-86]. Both this proffered pleading and Leishman's affidavit [I-69-72] were filed in the District Court on July 8, 1946. Appellees' motion for summary judgment had been fully argued and submitted to the District Court for decision on March 11, 1946 and granted March 12, 1946 [Rep. Tr. March 11 and March 12, 1946 proceedings]. On June 21, 1946, over three months after this, Leishman filed a "Motion under Rule 15d" to file a supplemental answer and a second supplemental counterclaim* and that the order for a summary judgment be vacated [I-63-64]. This motion was accompanied by an amended pleading which is not reproduced in the printed record herein. This is not the proposed pleading [I-72-86] which was filed on July 8, 1946 and informally treated as a substitute for the June 21, 1946 proposed amended pleading. After a hearing and full discussion in the District Court as to the sufficiency of the June 21, 1946 proposed pleading

*Under Rule 15(a) R. C. P. this was an exercise of the court's discretion. No showing of diligence was made by appellant and none could have been made by appellant. Appellant's brief does not urge any abuse of discretion in this denial. This court cannot review a question of abuse of discretion under such circumstances.

to raise an issue that appellees were bound by the outcome of the Oklahoma suit, for the first time, by this July 8, 1946 proposed pleading did appellant propose to allege that “by participating *and control*” of the Oklahoma suit “the plaintiffs herein are bound by the outcome of that suit; * * *” [I-79, par. XIII].

The District Court knew from the arguments of counsel that mere participation was insufficient and that control by appellees was necessary to effect estoppel by judgment and that the proposed amended pleading, filed July 8, 1946, was proffered in order to allege control of the defense of the *Oklahoma Case* by appellees. The District Court knew this allegation was sham.

In *Hy-Lo Unit & Metal Products Co. v. Remote Control Mfg. Co.*, 83 F. (2d) 345, this Court points out that one is not bound by the judgment in a case wherein he was not a party, “even though it be assumed, as alleged, that it participated in the defense of that action and defrayed part of the expense of defending it” (p. 349); that control of the defense is necessary to create the estoppel by judgment, quoting (*inter alia*) from *Bigelow v. Old Dominion Copper Mining & Smelting Co.*, 225 U. S. 111:

“* * * ‘To conclude Bigelow by the New York judgment, it must appear that he was either a party or a privy. That he was not a party to the record is conceded. He had no legal right to defend or control the proceedings, nor to appeal from the decree. * * * That he was indirectly interested in the result because the question there litigated was one which might affect his own liability as a judicial precedent in a subsequent suit against him upon the same cause of action is true, but the effect of a

judgment against Lewisohn as a precedent is not that of *res judicata*. * * * Nor would assistance in the defense of the suit, because of interest in the decision as a judicial precedent which might influence the decision in his own case, create an estoppel as to Bigelow.' * * *

Cf. also, this court's comments (p. 350) upon its decision in *Carson Investment Co. v. Anaconda Copper Mining Co.*, 26 F. (2d) 651.

Herein the District Court considered not merely the proposed amended answer's allegation of participation and control but also the affidavit of appellees' counsel Maxwell James [I-66, 68] wherein it is stated:

"(2) At no time has either of the plaintiffs, Radio Condenser Company or General Instrument Corporation, controlled the defense or participated in any pecuniary or other manner in the control of the defense in the case of LeRoy J. Leishman vs. The Richards and Conover Company, pending in the United States District Court for the Western District of Oklahoma."

* * * * *

"(4) * * * Deponent (for himself and on or in behalf of either of the plaintiffs herein) had absolutely no voice even as to the manner in which these models were to be used at the Oklahoma trial, and deponent (again for himself and on or in behalf of either of the plaintiffs herein) had no voice whatsoever in directing, determining or in any wise controlling any phase whatsoever of the trial in the Oklahoma case."

The alleged "participation" is shown to have consisted merely in lending to Mr. Mueller (attorney for defendant

in the *Oklahoma Case*) two models, both of which had been in Mr. James' possession for years [I-67]. Contrary to the statement of Appellant's Opening Brief (p. 57), "for which the model was constructed," neither of these models was constructed for the *Oklahoma Case*.

Appellant's evidence, accepted at full face value, demonstrates that the allegation that appellees possessed or exercised *control* of the defense of the *Oklahoma Case* is sham. The record herein thus "* * * show(s) that there is no genuine issue of fact to be tried" (*Engl v. Aetna Life Ins. Co.*, 139 F. (2d) 469, 472, *supra*), and that summary judgment is not to be denied by feigned issues.

The District Court Was Correct in Sustaining Appellees' Objections to Appellant's Interrogatories (Spec. of Errors No. 7, App. Opening Br. p. 9).

This ruling had no pertinency to the appealed Summary Judgment. These interrogatories appear at I-21-24; appellees' objections thereto at I-25. They inquire how many automatic tuners or actuators appellees have sold since the specified dates; that appellees furnish accurate drawings and samples of each type made by appellees since February 15, 1938; how many appellees sold to Wells-Gardner & Co. and to Delco Radio Division of General Motors Corp. This information could be material only on the issue of damages under appellant's counterclaim, paragraph II [I-16], and could not affect the summary judgment that there was no infringement.

BRIEF ON PLAINTIFFS-APPELLEES' CROSS-APPEAL.

Only one question is raised by this cross-appeal, *i. e.*, the restriction of the injunction of the Summary Judgment as originally entered [I-95-6, pars. 3 and 4] by the addition of a seventh paragraph reading:

“This judgment shall not be construed to mean that the defendant is enjoined from proceeding in the case of LeRoy J. Leishman v. The Richards and Conover Company, Civil Action No. 2155 of the United States District Court for the Western District of Oklahoma, and defendant is not enjoined from proceeding against Galvin Manufacturing Company.”

It is a fact that the tuners involved in the *Oklahoma Case* were manufactured by appellees and sold to their customers for and installed in the radio receiving sets completed by Galvin Manufacturing Company [Complaint, par. 5, I-5-6, admitted Answer, par. I, *id.*, 15; *Cf.* further Oklahoma Case F.F. 26, I-59; Conc. Law 2, I-60].

The injunction constituted “Further Relief” as provided for in paragraph (2) of the Federal Declaratory Judgment Act (§400, 28 U. S. C. A. p. 236) and intended to protect the rights adjudged in appellees by the declaratory judgment. The continued molestation of appellees’ customers and users of appellees’ tuners by filing or prosecuting suits and threats of suit, based upon the wrongful assertion that appellees’ tuners infringe, is a violation of appellees’ rights under the judgment herein.

The principle of *Kessler v. Eldred*, 206 U. S. 285, is directly applicable. Kessler filed suit for an injunction against Eldred “to enjoin Eldred from prosecuting any suit in any court of the United States against anyone for alleged infringement of the Chambers patent by purchase, use, or sale of any electric cigar lighter manufactured by Kessler and identical with the lighter in evidence before the circuit court for the district of Indiana and the circuit court of appeals for the seventh circuit in the (previous) trial and adjudication (of noninfringement) of the suit of Eldred against Kessler.” (206 U. S., at 286.) The case came before the Supreme Court upon certification of four questions:

“First. Did the decree in Kessler’s favor, rendered by the circuit court for the district of Indiana in the suit of Eldred against Kessler, have the effect of entitling Kessler to continue the business of manufacturing and selling throughout the United States the same lighter he had theretofore been manufacturing and selling, without molestation by Eldred, through the Chambers patent?

“Second. Did the decree mentioned in the first question have the effect of making a suit by Eldred against any customer of Kessler’s for alleged infringement of the Chambers patent by use or sale of Kessler’s lighters a wrongful interference by Eldred with Kessler’s business? (206 U. S. at 286.)

* * * * *

“* * * it is Kessler’s right that those customers should, in respect of the articles before the court in

the previous judgment, be let alone by Eldred, and it is Eldred's duty to let them alone. The judgment in the previous case fails of the full effect which the law attaches to it if this is not so. If rights between litigants are once established by the final judgment of a court of competent jurisdiction those rights must be recognized in every way, and wherever the judgment is entitled to respect, by those who are bound by it. Having, then, by virtue of the judgment, the right to sell his wares freely, without hindrance from Eldred, must Kessler stand by and see that right violated, and then bring an action at law for the resulting damage, or may he prevent the infliction of the unlawful injury by proceeding *in personam* in equity? If Eldred succeeds in his suit against one of Kessler's customers, he will naturally bring suits against others. He may bring suits against others, whether he succeeds in one suit or not. There may be, and there is likely to be, a multiplicity of suits. It is certain that such suits, if unsuccessful, would, at the same time, tend to diminish Kessler's sales, and to impose upon him the expense of defending many suits in order to maintain the right which, by a judgment, has already been declared to exist. If the suits are successful the result will be practically to destroy Kessler's judgment right. Moreover though the impairment or destruction of Kessler's right would certainly follow from the course of conduct which Eldred has begun, it would be difficult to prove, in an action at law, the extent of the damage inflicted. An action at law would be entirely inadequate to protect fully Kessler's unques-

tioned right, and, under these circumstances, though there may be no exact precedent, we think that the jurisdiction in equity exists. Nor do we see any good reason why Kessler's interposition for the defense in the suit of Eldred v. Breitwieser debars him from his remedy in equity.

"It follows from the foregoing reasoning that the first and second questions certified should be answered in the affirmative, and the third and fourth in the negative, and it is so ordered." (*Id.*, 289-290.)

Cf. Toledo Scale Co. v. Computing Scale Co., 261 U. S. 399, 426; *Steelman v. All Continent Corp.*, 301 U. S. 278, 291; *Commercial Acetylene Co. v. Avery Portable Lighting Co.*, 159 Fed. 935 (C. C. A. 7); *Goodyear T. & R. Co. v. Rubber Tire W. Co.*, 164 Fed. 869, 871; *Bryant Elec. Co. v. Marshall*, 169 Fed. 426, 430.

The appealed judgment is a final adjudication of the duty of appellant and is entitled to respect by appellant, who is bound by it. The injunction is not addressed to the Oklahoma District Court or the Circuit Court of Appeals of the Tenth Circuit, if the *Oklahoma* case is carried to that court. Like the suit of *Eldred v. Breitwieser*, appellant's prosecution of this *Oklahoma* suit is "a wrongful interference by Eldred (Leishman) with Kessler's (plaintiffs') business." Appellant's avowed purpose in that suit is to secure a decision which is in conflict with the judgment in this case. From a legal standpoint, appellant's error was in bringing such a suit against customers of plaintiffs. The injunction herein would not bar appellant from bringing suit for infringement against anyone other than plaintiffs' customers.

Conclusion.

Appellees submit:

- (1) That the summary judgment should be affirmed;
- (2) That the restriction of the injunction should be eliminated; and
- (3) That appellant should be enjoined so as to compel him to fully observe the obligation and duty imposed upon him by the law.

Appellant's position is that this Court's judgment in the *Associated case* was wrong and that the judgment of the District Court herein was wrong. Appellant does not, however, point out how Re-20,827 can be interpreted so that it patents the same invention as the original patent, except upon this Court's interpretation. Any other interpretation would leave Re-20,827 invalid as not for the same invention as the original patent.

Under this Court's interpretation of Re-20,827 the additional patents raise no material issue of fact.

Respectfully submitted,

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MAXWELL JAMES,

No. 11652

IN THE

United States Circuit Court of Appeals
FOR THE NINTH CIRCUIT

LEROY J. LEISHMAN,

Appellant,

vs.

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
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RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
CORPORATION,

Cross-Appellants,

vs.

LEROY J. LEISHMAN,

Cross-Appellee.

APPELLANT'S REPLY BRIEF
AND
BRIEF OF CROSS-APPELLEE

LEROY J. LEISHMAN,

2921 Greenfield Avenue, Los Angeles 34,

Defendant, in Propria Persona.

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Cross-Appellee.

APPELLANT'S REPLY BRIEF.

The Summary Judgment Should Be Set Aside.

The chief question raised by this appeal is whether the issues before the lower court should have been decided without a trial. The gross impropriety of the summary judgment was shown in Appellant's Opening Brief in the Introduction to the Argument on pages 10 and 11, and it was discussed at greater length in the same brief on pages 72 to 77. In reply, the Brief for Plaintiffs-

Appellees offers two short sentences and a single decision. The decision (pages 66 and 67) is to the effect that summary judgment is proper when there is "no genuine issue as to any material fact." The two sentences, which complete plaintiffs' consideration of this all important subject, are as follows: "No issue of fact requiring testimony was presented. Any issue of infringement is a question of law to be decided by the court."

The portion of plaintiffs' brief devoted to the propriety of the Summary Judgment makes no attempt to substantiate these generalities.

Shortly before judgment was entered in the present case, the U. S. District Court for the Western District of Oklahoma had declared after a full trial [R. Vol. I, p. 53 *et seq.*] that the claims here at issue are "clearly valid and clearly infringed" (finding 6) by the very tuners that are the subject of the present litigation. If the plaintiffs¹ here did not agree with that decision, then there was a genuine issue of fact to be decided.

"Infringement is a question of fact."

Stilz v. United States 269 U. S. 144, 147, 70 L. Ed. 202.

The issue of infringement in the present case resolved itself into a question of whether infringement can be avoided by substituting a plunger for the lever shown in the patent before the court. That the testimony of witnesses can have an important bearing upon this issue was shown by the testimony of Dr. Spotts, the expert witness against the patent in the Oklahoma trial, whose testimony

¹The Plaintiffs-Appellees and Cross-Appellants will hereinafter usually be referred to as *plaintiffs*, and the Appellant-Defendant and Cross-Appellee as the *defendant*.

was discussed on page 76 of Appellant's Opening Brief. In its two-sentence discussion of the propriety of the summary judgment, plaintiffs' brief is discreetly silent regarding the entire Oklahoma matter.²

The Oklahoma decision and the demonstration that it afforded of the importance of the testimony of witnesses, *are alone sufficient to show that the summary judgment should be set aside.*

Inasmuch as the opinion of the court below was based upon this Appellate Court's opinion in *Leishman v. Associated Wholesale Electric Co.*, 137 F. (2d) 722, the matter of whether the evidence was the same in the two cases became a second very pertinent issue of fact. This important issue was raised in the affidavit of Leishman [R. Vol. I, p. 46], filed on behalf of the defendant, and stating that most of the evidence here presented was not in the record of the previous case. If the averments of this affidavit were correct, the doctrine of *stare decisis* could not be followed in order to permit judgment in plaintiffs' favor. It thus became the plaintiffs' burden (1) to show that the new evidence was not genuine, or (2) that this evidence was before this Circuit Court of Appeals when it rendered the decision in the *Associated* case. The plaintiffs did neither of these in the two pages devoted to the propriety of the summary judgment, but in other portions of their brief they endeavor to give the impression that the evidence was not new. Plaintiffs thus deal with this second issue of fact despite their categorical statement that no issue of fact exists.

²Plaintiffs discuss the Oklahoma case only in connection with defendant's claim that the plaintiffs herein are bound by the Oklahoma judgment.

A third genuine issue of fact has to do with whether the plaintiffs here are bound by the judgment in the Oklahoma case. Inasmuch as that case was tried subsequent to the filing of defendant's answer herein [R. Vol. I, pp. 15-17], this new defense of estoppel required an amendment to the pleadings. This third issue was consequently raised in Defendant's Motion under Rule 15d for permission to file a supplemental answer [R. Vol. I, pp. 63-65] and in the affidavit in support thereof [R. Vol. I, pp. 69-72]. After this motion was denied a transcript of the Oklahoma trial became available, and the issue was then raised anew in connection with Defendant's Motion under Rule 52b [R. Vol. I, pp. 100-101], which was accompanied by a certified copy of the pertinent pages from the Oklahoma record [R. Vol. I, p. 103 *et seq.*].

This issue was discussed in Appellant's Opening Brief beginning on page 53, and plaintiffs' comments thereupon will be considered on pages 32 to 43 hereof.

If the evidence presented in connection with the motions under rules 15d and 52b was in any way insufficient, in the view of the lower court, to establish this third defense, the defendant should nevertheless have been permitted to supplement the pleadings, and he should have been given the opportunity to adduce more complete evidence at a trial.

Summary judgment was thus granted in spite of three genuine issues of fact.

**The Evidence Here Is Vastly Different From That
in the Associated Case.**

On page 34, the Brief for Plaintiffs-Appellees says: "The fact that both plungers and levers had been used in radio tuners in the prior art was shown by the record in the Associated Wholesale Elec. case and conceded by both parties in that case." Those fighting the patent in that case, represented as here by the law firm of Lyon and Lyon, *never made any such concession*, and there was not a single prior art tuner patent in the *Associated* record that showed a plunger for performing the function of a lever.

The only prior art introduced in the *Associated* case was contained in the then Defendant's Exhibit J, which was reproduced in Volume III of that record on pages 567 to 648. Exhibit J consisted of the following six patents:

Woodbridge, No. 585,996;
Schaefer, No. 1,906,106;
Cunningham, No. 1,930,192
Flaherty, No. 1,948,373;
Miller, No. 2,014,358;
Marschalk, No. 2,072,897.

Of these six, only the Shaefer, Flaherty and Marschalk patents were for automatic tuning devices, and the tappet member in each of these was mounted on a lever.

In that action, Leishman did not expect the defendant would seriously contend that the plunger of the accused device was not the equivalent of the lever shown in the

patent; and since claims 7 and 8 did not call for either, the matter of their equivalency did not seem particularly necessary to the issue of infringement. Hence the plaintiff (Leishman) did not introduce any patents showing the use of the plungers for transmitting motion from the operator's finger to the internal mechanism of the tuner. But when the defendant claimed on appeal that it did not infringe because it used a plunger, and that this was an innovation with Crosley, the plaintiff searched the record for something to show that Crosley did not introduce the plunger and that this element was old in the art. In its answer to the Bill of Complaint, the defendant had listed twenty allegedly pertinent prior art patents, but there was of course nothing to show which were tuner patents, nor which tuner patents, if any, were operated by plungers. The plaintiff (appellant Leishman) in that case reproduced the said list in Appellant's Supplemental Brief on the first page of the Appendix, and he made notations after five of the listed patents to the effect that they were plunger-operated; but since the patents themselves had not been introduced as evidence, there was nothing whatever in the record to verify these notations. The plaintiff there was able to find reference to plungers in the file wrapper of the Crosley patent application, and he found another reference in the published decision in the case of *Jacke v. Long*; *Jacke v. Goldsborough*, 111 F. (2d) 184. Since there were no plunger tuner patents in the record to refute the claim that such tuners were a Crosley innovation, the plaintiff had to be content with these mere allusions to such devices in the Crosley file

wrapper and in the *Jacke* decision, and they were accordingly quoted on page 16 of the then Appellant's Reply Brief.³ The present plaintiffs on page 34 of their brief now refer to this portion of the *Appellant's* Reply Brief in the *Associated* case as proof of their statement that it was conceded by *both* sides in that action that plungers and levers were old in the automatic tuning art. Such a concession by the defendant in that case would have run counter to the said defendant's claim that plunger tuning

³The complete reference to these sources was as follows:

"Appellee's statement that the plunger operating means of the accused devise is responsible for the wide acceptance of automatic tuning, is at variance with the record.

"These statements are not made in good faith, because appellee's counsel Gibson Yungblut admittedly prepared and prosecuted the Crosley patent application on the accused tuner [II, p. 476] and knows that the claims he wrote on the plunger feature were all rejected because plungers were used in the Bast, Faas and Marvin tuners, patented in 1928, 1933 and 1929, respectively. These patents were cited by the Examiner in the Office Action that appears on pages 20 and 21 of the Crosley file wrapper [appellant's physical exhibit 21]: In addition to citing these three patents, the Examiner said:

'Claims 15 and 16 are rejected as unpatentable over Marvin. As broadly expressed in these claims, the members 34 of Marvin may be considered to be plungers and the adjustable means thereon the members 35 and 36.

'All claims are rejected.'

"However, plungers for automatic tuners go back even further than these patents, the decision in the case of *Jacke v. Long*; *Jacke v. Goldsborough*, 111 F. (2d) 184, stating on page 186:

'Subsequently while in California Jacke proceeded to electrify his mechanical unit of 1922. This necessitated the lengthening of the *push button rods*, . . .'

was introduced by Crosley;⁴ and had such a concession been made it obviously would have been pointless for the plaintiff there to have ferreted out such meager references as those in the Crosley file wrapper and the *Jacke* decision in an attempt to verify his statement that plunger tuning was old.

It will be noted that the allusions to the prior art use of plungers in the Crosley file wrapper and in the *Jacke* decision (quoted in footnote 3 on page 7 hereof) gave no indication as to whether such plungers were used for the operating members. With no other evidence in the *Associated* case regarding the use of plungers in the tuners of the prior art, this Honorable Court had no proof that plungers and levers had been used as mechanical

⁴The Court may take judicial notice of the following excerpts from the Brief for Appellee in the *Associated* case:

"The patent is not entitled to be broadly construed so as to include within its scope the accused devices, which are not operated by levers *but by the plunger control developed by the Crosley Corporation.*" (p. 8.) (Emphasis added.)

"The record is clear that the short period of time spent by the Crosley Corporation in developing the devices complained of herein was directed to the designing of the *push button or plunger type of device.*" (p. 31.) Emphasis by the defendant-appellee in the *Associated* case.

Appellant Leishman's Supplemental Brief in the *Associated* case made the statement that "plunger tuners *per se* were already 15 years old," the reference being to the three-line quotation from the *Jacke* decision repeated in footnote 3 on page 7 of the present brief alluding to *push button rods* in a 1922 tuner. If *both* sides in the *Associated* case conceded that plunger tuners were old, as the Brief for Plaintiffs-Appellees now tries to tell the Court, the appellee there would have conceded that "plunger tuners *per se* were already 15 years old." Instead, however, Appellees' Reply to Appellant's Supplemental Brief (typewritten) stated on page 34: "There is no justification in the record for Appellant's Supplemental Brief statement (p. 9) that 'plunger tuners *per se* were already 15 years old.' Reference in Appellant's Reply Brief herein (p. 16) is to the opinion of the Court of Customs and Patent Appeals in the case of *Jacke v. Long*, 111 F. (2d) 184. The facts asserted in such opinion are not before this Court on the record herein."

equivalents for operating automatic tuners before the patent at issue was granted.

In the present case, the evidence is vastly different. Ten prior art patents have been introduced, all showing the use of plungers for operating automatic tuners or other devices in which control-shafts must be rotated to predetermined angular positions. *None of these patents was in the record of the Associated case.* The plaintiffs, however, in their anxiety to make it appear that the evidence here is not new, make the bald statement on page 29 of their Brief for Plaintiff-Appellees that "Six of these ten patents offered in evidence in this case were before the court in the *Associated Wholesale Elec.* case [Tr. of Rec. Associated Case, Vol. III, Defts. Exh. J, pp. 567-648; Cf. Defts. Ex. D, p. 566]." That this statement is not true can easily be verified by examining the said Exhibit J, in Vol. III of the *Associated* record, where it will be found that *none* of the ten patents here introduced [R. Vol. II pp. 177 to 255] can be found among the six in the *Associated* case.

In addition to the ten plunger patents here introduced to show that plungers were well known in the prior art for operating tuners and other shaft-positioning devices, the defendant has placed in the record 16 sets of photographs [Deft. Physical Ex. 1a to 16b], all showing the alternative use of levers and plungers for operating well known mechanisms.

The evidence in this case is thus manifestly different from that in the *Associated* case, and the former decision is consequently not *stare decisis* on the matter of levers and plungers.

Summary judgment should therefore not have been rendered on the basis that this Court's decision in the *Associated* case could be followed *in toto* here.

Re: Plaintiffs' Arguments to the Effect That the Former Decision Should Nevertheless Be Followed.

Appellant's Opening Brief, pages 32 to 34, set forth the law with respect to mechanical equivalents. The brief then established that plungers were well known as equivalents for levers in the automatic tuning art when the patent at issue was granted (pp. 34 to 44 incl.) and showed that three of the ten cited patents even illustrated the alternative use of plungers and levers for rotating shafts to predetermined positions. These three patents were issued respectively to:

Kettell (see the insert between pages 36 and 37 of Appellant's Opening Brief);

Peck (see page 39 of said brief); and

N. V. Philip's Glowlamp Factory (see the chart of this Danish patent on the insert between pages 42 and 43 of Appellant's Opening Brief).

Even though defendant has established that plungers and levers are equivalents in the combinations involved in this suit, the plaintiffs advance two different arguments in support of their contention that the *Associated* decision should be followed in this action. The first of these is based upon a misinterpretation of the *Associated* decision, and the second upon a misconstruction of the rules regarding infringement.

These arguments of the plaintiffs will be considered in that order.

On pages 32 and 33 of their Brief for Plaintiffs-Appellees, the plaintiffs misinterpret this court's opinion in the *Associated* case in an effort to make it appear that the court construed the invention as intended only for performing two tuning operations simultaneously, rather

than for tuning either a radio set, or a television set, or both. On page 32 of their brief, the plaintiffs say:

“* * * The opinion refers to the patent’s statement of the purposes of the alleged invention as illustrative of the fact that two shafts *must* be controlled and operated simultaneously,—not that they must necessarily be radio receiving apparatus and television apparatus shafts . . .” (Defendant’s emphasis.)

This Court never made any statement or inference that two shafts *must* be operated simultaneously. Such a statement or inference would have been directly contradictory to the plain language of the patent itself. Right in the second paragraph of the patent it is stated that one of the objects of the invention is:

“to make it possible for a single manual operation to tune *either* a radio set or a television set, or both.” (Emphasis added.) [R. Vol. II, p. 169, column 1, lines 28 to 30].

After trying in previously quoted portions of their brief to make it appear that the invention was concerned only with a double tuning operation, the stated objects to the contrary notwithstanding, the plaintiffs say:

“This Court points out that the rocker 54, tappet 62 and levers F and 66 are mechanical elements necessarily included as essential to Leishman’s combination’s performance of such simultaneous tuning.”

It is true the opinion mentioned that the rocker 54 and tappet 62, shown in the drawings, were not included in the Crosley tuner, and it commented that the function of moving a second tappet was not performed by the plunger in the Crosley mechanism, but it based the holding of non-infringement upon the court’s conclusion

(arrived at by the record in the case) that "The part so performed is not performed in the same way, or in substantially the same way. Hence the plungers and the levers are not equivalents."

Neither the objects set forth in the patent, nor the elements called for in the claims at issue, nor the well-known rules of claim interpretation will permit the construction which the plaintiffs are trying to read into this Court's opinion in the *Associated* case. In deciding the issue of infringement, each claim stands alone; and infringement of a given claim is determined by whether the accused device contains the elements set forth in that claim, or the equivalents of such elements, and it is never required that an infringing device include other elements shown in the patent but not included in the claims sued upon. The second rocker and the second tappet are obviously not needed unless the tuner is to be used for both radio and television, and these extra parts are not set forth as elements in any of the claims here at issue.

In concluding its efforts at importing additional elements into the claims, the Brief for Plaintiffs-Appellees says (p. 33):

"An error of appellant's argument is thus illuminated, to-wit: that the claimed combination consists of *three* elements and that 'two of the three elements in the Crosley tuner were held by this Honorable Court to be the equivalents of the corresponding elements in the reissue patent here in suit'." (Plaintiffs' emphasis.)

It is strange that counsel for the present plaintiffs made this same "error" when stating how many of the elements of the patent were involved in the *Associated* case. In the Brief for Appellee in that action, signed by

Leonard S. Lyon, the following paragraphs appeared on pages 11 and 12:

“In the drawing (Figure 1 of this brief)⁵ there appears a second cam⁶ or tappet H which is mounted upon the lever A and is shaped to contact another rocker mounted upon a shaft distinct from the shaft of the rocker C, which second shaft is intended to be the tuning shaft of a television receiving apparatus. *We are not concerned in this case with these additional elements of the Leishman apparatus.* (Defendant’s emphasis.)

“The device of the patent in suit, therefore, consists essentially of three elements: a *lever* adjustably mounting a *tappet* which is movable by the lever into contact with a *rocker* attached to the shaft to be positioned by a movement of the lever.” (Opposing counsels’ own emphasis to identify the said three elements.)

That we are concerned only with these three elements, and not with the second tappet and rocker, was also admitted in a moment of candor by opposing counsel *in the present case* on page 44 of their Brief for Plaintiffs-Appellees, as follows:

“The devices complained of herein are radio receivers only and have no associated television apparatus. We are concerned in this suit, therefore, *only with the portions of the mechanism of the patent in suit which are designed for tuning a radio receiver.*” (Defendant’s emphasis.)

⁵Figure 1 of the said brief was a reproduction of Fig. 2 of the patent, in which the appellee used the letter H to designate the second tappet.

⁶The term “cam” is one of several used for this member in the industry instead of “tappet”. See the footnote at the bottom of page 23 of Appellant’s Opening Brief.

Plaintiffs discuss the law with respect to infringement at considerable length. There appears, however, to be no possible pertinence to the part of this discussion beginning on page 28 of their brief and entitled "A Patent for a Combination Is Not Infringed by Using One Element of Such Combination as an Element of a Different Combination." Certainly no one has claimed in this case that infringement was present because of the use of *one* element of defendant's combination.

The decisions cited by the plaintiffs in their discussion of the doctrine of mechanical equivalents, when the terms are given their proper legal meaning, are all in full harmony with the Supreme Court decisions cited in Appellant's Opening Brief to show that the plungers of plaintiffs' tuners are the mechanical equivalents of the levers shown in defendant's patent, and that infringement has been established.

On pages 20 and 21 of their brief, the plaintiffs quote this Court's opinion in the case of *Magnavox Co. v. Hart & Reno*, 73 F. (2d) 433, at 444. The quoted portions of this decision deal with a situation in which an element of a claim is omitted and no substitute is provided. To quote plaintiffs' quotations—

"* * * A defendant who omits one of the material elements of the combination does not infringe.

* * * * *

"'If defendant omits one or more of the material elements which make up the combination, he no longer uses the combination; and it is no answer to say that the omitted elements are not essential, and that the combination operates as well without as with them.'"

When a mechanical equivalent is substituted for the omitted element, however, the law does not recognize that the element has been omitted. In other words, a mechanical equivalent is considered legally to be the same element. In "Patents," a text-book compilation of the patent decisions of the Supreme Court, written by Bierne Stedman, LL.B., copyrighted in 1939 and published by The Michie Co., Charlottesville, Virginia, the settled law on this point is summarized as follows (Sec. 194, p. 479):

"* * * the rule that the use of less than all of the elements of a combination does not constitute infringement *is subject to the qualification that they must not be used in connection with a known equivalent for the omitted element.*" (Emphasis added.)

The plaintiffs make much of this Court's statement in the *Associated* decision regarding the function of the plunger, where the Court said: "The part so performed is not performed in the same way, or in substantially the same way. Hence the plungers and the levers are not equivalents." *Known* substitutes are considered to perform their function in the same way, or substantially the same way. The Court's judgment as to whether two things perform their function in the same way, or in substantially the same way, must therefore depend upon the evidence as to the known substitutes. This rule is well illumined by the plaintiffs' quotation from the Supreme Court case of *Electric R. R. Signal Co. v. Hall Ry. Signal Co.*, 114 U. S. 87, quoted as follows on pages 17 and 18 of their brief:

"* * * To constitute identify of invention, and therefore infringement, not only must the result attained be the same, but in case the means used for its attainment is a combination of known elements, the elements combined in both cases must be the

same, and combined in the same way, so that each element shall perform the same function, *provided, however, that the differences alleged are not merely colorable*, ACCORDING TO THE RULE FORBIDDING THE USE OF KNOWN EQUIVALENTS!" (Defendant's emphasis.)

The rule forbidding the use of known equivalents was thoroughly discussed in Appellant's Opening Brief on pages 32, 33 and 34, where the controlling Supreme Court decisions were quoted.

What constitutes an equivalent is also defined in another case quoted by the plaintiffs. In the quotation from *Dey Time Register Co. v. Syracuse Time Recorder Co.*, 152 Fed. 440, at 450, the following appears at the center of page 19 of plaintiffs' brief:

"* * * The substitution of an equivalent is, however, a mere change of parts and form involving no inventive skill, but suggested by the invention itself to every person skilled in the particular art'."

The things suggested by the invention to every person skilled in the particular art are obviously the *known equivalents*.

These decisions thus merely reiterate the rule established in the Supreme Court case of *Seymour v. Osborne*, 11 Wall. (78 U. S.) 516, at 556, 20 L. Ed. 33 at 42, where the Court said:

"* * * Mere formal alterations in a combination in letters patent, however, are no defence to the charge of infringement, and the withdrawal of one ingredient from the same and the substitution of another which was well known at the date of the patent as a proper substitute for the one withdrawn, *is a mere formal alteration of the combination if the ingredient substituted performs substantially the*

same function as the one withdrawn." (Emphasis added.)

Appellant's Opening Brief, on pages 34 to 43 inclusive, showed that plungers and levers have long been known as full equivalents for operating various mechanisms and even for the specific purpose of moving tappets.

The plaintiffs now try to beg the question by saying that the *other* elements of the prior art devices were not like those in defendant's combination. For example, in discussing the 1883 Kettell patent showing the alternative use of levers and plungers for moving tappets, plaintiffs' brief says on page 38:

"No rocker-tappet-lever combination is shown, nor is a rocker-tappet-plunger combination shown. The members which Leishman calls tappets are but projections of the members which he refers to as plungers and levers. These projections are integral with the so-called plungers and levers and are not, as in the patented combination, pivotally adjustable with respect to the Kettell plunger and lever."

There is certainly no requirement in law that an element, in order to be a mechanical equivalent of an element in a patented combination, must be found in the prior art in association with precisely the same elements that form the remainder of the combination. In order to meet the test which the plaintiffs would apparently have the Court follow, defendant would first have to prove that his combination had been anticipated before he could establish that it had been infringed.

That levers and plungers were used as full equivalents in Peck's prior art tuner, is admitted on page 38 of plaintiffs' brief, as follows:

"* * * *When the lever is depressed or when the plunger is moved, the links are extended to their*

furthest positions to move the disc to a predetermined position.” (Defendant’s emphasis.)

As with the Kettell patent, plaintiffs irrelevently complain (page 39) that the members mounted upon the levers and plungers in the Danish Patent No. 52,047 are different from defendant’s tappets, *but the alternative use of the plunger and lever is admitted*:

“* * * Figure 1 of the patent shows a plunger having a fixed cam follower roller on its end which coacts with a cam mounted on the shaft to be positioned. Figure 2 shows a similar cam follower mounted on a lever.”

The equivalency of a plunger and lever in defendant’s combination may be further shown by the test set forth on page 22 of the Brief for Plaintiffs-Appellees in the quotation from Deller’s Walker on Patents, Vol. 3, Section 468, pages 1706-1707, as follows:

“* * * In a purely scientific sense, a screw always performs its function in a substantially different way from a lever, and in substantially the same way as a wedge. Screws and wedges are equally inclined planes, while a lever is an entirely different elementary power. But screws and levers can practically be substituted for each other in a larger number of machines than screws and wedges can be similarly substituted. *When a lever and a screw can be interchanged and still perform the same function with a result that is beneficially the same, they are said to perform the same function in substantially the same way.*” (Defendant’s emphasis.)

It is hardly necessary to point out that there is a far greater similarity between the action of a plunger and the action of a lever than there is between the actions of

a screw and a lever, yet the foregoing quotation holds that a screw and a lever are equivalents if they perform the same function. This quotation also shows that elements that are different in a purely scientific sense, but which nevertheless perform the same function, are said *to perform the same function in substantially the same way*. According to this rule, plaintiffs' plungers and the lever shown in the patent are thus mechanical equivalents and perform their function *in substantially the same way*.

Walker on Patents is also helpful in the quotation at the middle of page 22 of the Brief for Plaintiffs-Appellees:

“ ‘But one thing may be an equivalent of another in one environment, and not such an equivalent in another situation. * * * Springs and weights are generally equivalents * * *, but where the environment is such that a spring will operate successfully while a weight will not so operate, there they are not equivalents. * * *’ ”

Certainly the plaintiffs cannot claim that their plunger does not work equally as well as the lever in the combination with which we are concerned.

The plunger of the accused devices and the lever shown in the patent have now been shown to be mechanical equivalents even according to the criteria set forth in the decisions in plaintiffs' own brief. All these decisions, in one way or another, expound the same doctrine long ago established by the Supreme Court, but none of them express the rule more simply than it is expressed in the leading Supreme Court cases cited on pages 32 and 33 of Appellant's Opening Brief. Let us therefore repeat

the rule in the lucid words of those Supreme Court decisions:

“* * * Mere formal alterations in a combination in letters patent, however, are no defence to the charge of infringement, and the withdrawal of one ingredient from the same and the substitution of another which was well known at the date of the patent as a proper substitute for the one withdrawn, is a *mere formal alteration of the combination if the ingredient substituted performs substantially the same function as the one withdrawn.*”

Seymour v. Osborne, supra.

“Patentees of an invention consisting merely of a combination of old ingredients are entitled to equivalents, by which is meant that the patent in respect to each of the respective ingredients comprising the invention covers every other ingredient which, in the same arrangements of the parts, will perform the same function, *if it was well known as a proper substitute for the one described in the specification at the date of the patent.*”

Imhaeuser v. Buerk, 101 U. S. 647, 656, 25 L. Ed. 945.

In “Patents,” quoted on pages 33 and 34 of Appellant’s Opening Brief, Stedman reviews the Supreme Court decisions down to 1939, and he states the settled law on this point in the following words (Sec. 194, p. 479):

“* * * By an equivalent in such a case it is meant that the ingredient substituted for the one withdrawn performs the same function as the other, and that it was well known at the date of the patent securing the invention as a proper substitute for the one omitted in the patented combination.”

As pointed out on pages 17 and 18 hereof, the plaintiffs admit that plungers and levers were used as equivalents in the prior-art shaft-positioning devices of Kettell, Peck, and Philip's Glowlamp Factory, the last two of which were even automatic tuners. In using a plunger in their tuners instead of the lever shown in the patent, the plaintiffs have thus merely substituted a well-known mechanical equivalent.

The other two elements called for in the claims are the rocker and the adjustable positioning member, or tappet. The plaintiffs do not deny that these elements are present in their tuners, which they contend are the same insofar as this patent is concerned as the Crosley tuner involved in the *Associated Wholesale Case*.⁷ This Court's holding that the rocker and tappet of the Crosley tuner are the equivalents of the corresponding elements of the patent, is not opposed by the plaintiffs, and the said ruling therefore applies with equal force to the rocker and tappet of the accused tuners in the instant action.

The incontestable proof now presented as to the equivalency of the plunger and lever, thus complete the proof of infringement.

Manifestly, the lower Court's summary judgment of non-infringement was arrived at by following this Appellate Court's holding with respect to the plungers and levers in the *Associated* case without regard for the fact that it is clearly not applicable here because of the nature of the new evidence. The judgment of the lower Court should accordingly be reversed.

⁷See reference on page 12 of Appellant's Opening Brief to Mac-keown affidavit submitted on behalf of the plaintiffs.

A Former Decision Is Not Stare Decisis Where the Evidence Is Different.

The Brief for Plaintiffs-Appellees discusses this subject under the heading, "The Legal Effect of This Court's Adjudication of Re-20,827."

Plaintiffs say that appellant misconceives the law on this subject, yet *all four* of the decisions cited by the plaintiffs support the position of the defendant and not that of the plaintiffs.

In the quotation from *Badische Anilin & Soda Fabrik v. A. Klipstein & Co.*, 125 Fed. 543, 545-6, appearing on pages 24 and 25 of plaintiffs' brief, the court says:

"* * * The rule is well settled that, when a patent has once been sustained by an appellate court, a subordinate court, dealing with the same patent subsequently, inquires first whether the second record contains anything not before the appellate court (whether mentioned in its opinion or not), and, if it finds something new, inquires next whether the new matter is of such a character that it may fairly be supposed that the appellate court would have reached a different conclusion, had it been advised of its existence."

It has been fully demonstrated in this brief and the opening brief that the present record contains a great deal that was not before the appellate court, and that the new matter is of such a character that this court, had it been advised of its existence, would have reached the conclusion that plungers were well known in the art as substitutes for levers for operating tuners and other shaft-positioning devices when the patent at issue was granted, and that these elements are therefore mechanical equivalents.

Plaintiffs next quote from *Crier v. Innes*, 170 Fed. 324, 325 (C. C. A. 2). Plaintiffs' quotation includes the following:

“* * * when a patent, after full hearing, has been declared by the Circuit Court to be valid and such decree has been affirmed by this court, we should follow the decision in a subsequent case involving the validity of the same patent, *and not presenting any essentially different evidence*, notwithstanding the claim of invalidity was not urged upon this court upon the prior appeal.” (Defendant's emphasis.)

This decision merely recommends following the former decision when the new record does not present any essentially different evidence. When the evidence *is* essentially different, as in the instant case, the former decision should clearly not be followed.

The third decision quoted by the plaintiffs was rendered in the case of *Concrete Mixing, etc. Co. v. Powers-Kennedy Contracting Corp.*, 27 F. (2d) 668, 669, 670, in which the court said:

“But whatever the court as now constituted might think of the correctness of our former ruling, it is our duty to follow it, *unless new evidence raises questions of the patent's validity not previously considered*.” (Defendant's emphasis.)

In the instant case, ten patents and Defendant's Physical Exhibits 1a to 16b show that plungers and levers were well known equivalents for operating tuners and other devices when the patent at issue was granted, and none of this evidence was previously considered.

The fourth and last case quoted by the plaintiffs on the extent to which a previous decision is controlling, is the case of *Cortelyou v. Charles E. Johnson & Co.*, 145 Fed.

933, 934. In referring to a previous decision, the court there said:

“* * * It is a clear, comprehensive and convincing exposition of the law as applicable to the facts as stated in the bill and admitted by the demurrer, *and, upon similar facts, is as controlling upon us as if it were originally promulgated by this court.*” (Defendant’s emphasis.)

This Court’s decision on the matter of the equivalency of the rocker and the tappet to the corresponding elements of the patent in the *Associated* case, is therefore controlling here; but upon the matter of the levers and plungers, *where the facts presented in the evidence are vastly dissimilar*, the truth as revealed in the new evidence must be recognized.

Regarding Plaintiffs’ Discussions of Coaxiality.

The Brief for Plaintiffs-Appellees devotes thirteen pages (40 to 53) to a discussion of “Coaxiality” and five more pages (53 to 58) to a topic entitled “The Crosley Method of Securing Coaxiality Is Not Equivalent to That of the Reissue Patent in Suit.” Most of this is entirely irrelevant to the issues before the court, and a large part of the discussion pertains to matters upon which neither side could present any evidence in a summary judgment proceeding.

The word *coaxiality* is nowhere mentioned in the patent, but claims 8, 10 and 11, specify that the axis of the tappet must be substantially *coaxial* with the axis of the rocker when these members are in the completely engaged position. Claims 7 and 9 recite structural features that are necessary in order to attain this coaxial relationship.

The plaintiffs nowhere contend that their rockers and tappets do not meet the requirements set forth in the respective claims, and no fault has been found with this Court's ruling that the rockers and tappets in the patentwise identical Crosley tuners were the equivalents of the corresponding elements shown in the patent. Plaintiffs accordingly do not deny that their coaxial rockers and tappets are the equivalents of the corresponding coaxial elements of the claims.

The long discussion of coaxiality in the Brief for Plaintiffs-Appellees is thus quite irrelevant to the issue of infringement—the only issue that was decided upon plaintiffs' Motion for Summary Judgment. Plaintiffs variously contend that no invention was involved in arriving at the coaxial structure, that the coaxial relationship was an afterthought when the reissue was obtained, and that the Crosley method of obtaining coaxiality is not equivalent to that of the reissue patent. The Lyon and Lyon briefs raised all these arguments pertaining to coaxiality in the *Associated* case in an attempt to differentiate the accused coaxial combination from the coaxial combination of the patent and to supply some basis for the lower court's opinion that the patent was invalid for want of invention. This appellate court considered all these arguments and then (a) ruled that the Crosley tappet and rocker (which were coaxial in the tuned-in position) were equivalents of Leishman's corresponding elements, and (b) struck out the portion of the lower court's decision which said that the patent was invalid for want of invention.

Even if the issues raised by plaintiffs' revived coaxiality arguments were before this Court, there still could be no departure in this appeal from this Court's former ruling respecting the coaxial rockers and tappets nor from

its deletion of the lower court's holding of invalidity, because no new evidence whatever has been presented in this action on any of these points.

In case the Court might find some pertinence not apparent to the defendant in plaintiffs' coaxiality arguments, they will now be briefly discussed.

On page 18 of Appellant's Opening Brief, the patent's disclosures of the coaxial relationship are mentioned in connection with the patent drawings reproduced on page 15 of the said brief. At the bottom of page 18, this statement appears:

“* * * When this relationship does not prevail, peculiar difficulties are encountered when trying to adjust the loosened tappet to the proper angular position required for a given station; but when these parts have the coaxial relationship called for in the patent, no difficulties are encountered.”

A consideration of the issue of validity and of the difficulties encountered in the prior art, would have shown that this greater ease of adjustment contributes greatly to accuracy; but since the matter of validity was not involved in the summary judgment, and no evidence was presented with respect thereto, the subject of accuracy was not even discussed in Appellant's Opening Brief. Yet the Brief for Plaintiffs-Appellees says on page 49: “Appellant's brief makes many confusing statements concerning the necessity that a radio tuner be accurate and contains many references to automatic frequency control circuits.” The term “automatic frequency control” does not even appear in Appellant's Opening Brief, nor are these circuits discussed under any other name or in any way whatever.

A trial might bring out something on these subjects for the plaintiffs to talk about, but defendant has been shut off without a trial.⁸

On page 45 of their briefs, plaintiffs say, "Coaxiality was an afterthought with Leishman." An examination of the *original* patent [R. Vol. II, p. 174 *et seq.*] will reveal that plaintiffs' statement is not true. The coaxial relationship is shown in the drawings in Fig. 2, page 174,

⁸After a full trial at which the claims here at issue were held to be clearly valid and clearly infringed by the very tuners now before this Appellate Court, the U. S. District Court for the Western District of Oklahoma made the following findings with respect to "coaxiality" and *automatic frequency control circuits* [R. Vol. I, pp. 55, 57, 58 and 59]:

"13. The coaxial relationship between the axis of the tappet, or adjustable means, and the axis of the rocker is for the purpose of preventing any rotation whatever of the adjusted tappet and rocker during the adjusting process. Coaxiality has been used in the past for the opposite purpose of permitting parts to move freely and without binding."

"21. In the summer of 1937, the radio industry was using to a great extent automatic tuners referred to as motor driven tuners and telephone dial tuners. These were so inaccurate mechanically that they required expensive automatic frequency control circuits to make them at all acceptable to the trade. These tuners are shown in the June, July and August, 1937, issues of Radio Retailing.

"25. Early in the year 1938, radio set manufacturers and radio parts manufacturers began to use radio tuners embodying the invention covered by claims 7, 8, 9, 10 and 11 of the re-issue patent in suit. Tuners of this kind were supplied to the public in approximately 8,000,000 radio sets up to April, 1942. These tuners were sufficiently accurate mechanically to operate satisfactorily without the need of automatic frequency control circuits, and were easy to adjust to different broadcasting stations. The popularity of the motor driven and telephone dial tuners declined after 1938, and are now virtually obsolete."

and described in the specification on page 176, column 1, lines 30 to 34, in the following words:

“When the lever assembly is all the way down, it will be observed from Fig. 2 that the pin 60” (on which the tappet is mounted) “is substantially co-axial with the rockers 48 and 54, which means that in this position it is also co-axial with shafts S, 49 and 25, shown in Fig. 1.”

Plaintiffs’ argument that “The Crosley Method of Securing Coaxiality Is Not Equivalent to That of the Re-issue Patent in Suit” may be summarized in plaintiffs’ own words on page 54 of their brief:

“* * * The Crosley method of securing coaxiality is not the method of Leishman. Leishman secured alignment in the horizontal direction by causing the pivot point of his cam or tappet on the lever and the pivot points of his rocker to lie an equal distance from the pivot Q of the lever. . . . But Crosley, in securing horizontal alignment, passed a reciprocating plunger completely through the rocker and provided a side bearing on both sides of the rocker.”

This argument, it will be observed, has to do with how the parts are laid out in the drafting room. This patent is not on a method of mechanical drawing. Claims 8, 10 and 11 specify that the axis of the tappet and the axis of the rocker must be coaxial, and claims 7 and 9 recite physical structure associated with this relationship. The method of layout or the method of manufacture are irrelevant. It obviously makes no difference to these claims how the tuner “got that way”; it is the finished structure that counts.

Even as a matter of layout, the plaintiffs have put the cart before the horse. When it is known that the rocker and tappet must be coaxial, they are laid out that way in the first place. This is true regardless of whether the tappet is to be placed on a lever or a plunger. If the tappet or cam is to be placed on a lever, the lever is next drawn in; and then, no matter how long the lever may be, or where its pivot is placed, the tappet and rocker will be coaxial. If the tappet is to be mounted on a plunger, the plunger is drawn in after the tappet and rocker have first been laid out in the coaxial relationship. The guides for the tappet are then drawn in engagement with the plunger.

The fact that a plunger has guides or side bearings while a lever has a pivot, involves nothing whatever that was not well known in the prior art. In Kettell's 1883 device (see the insert between pages 36 and 37 of Appellant's Opening Brief), his plunger is shown with guides *b* and *b*; and his lever *E*, like every other lever, is provided with a pivot.

The matter of whether the tappet is mounted on a plunger having guides, or on a lever having a pivot, does not in any way affect the coaxiality of the tappet with respect to the rocker. Although Crosley's tappet was mounted on a plunger while the tappet in the patent was shown on a lever, this Court nevertheless held that the Crosley tappet and rocker (which were coaxial in the engaged position) were equivalents of the corresponding coaxial elements in the patent.

Regarding Plaintiffs' Discussion of Defendant's Interpretation of Claims 7 to 11.

On pages 59 to 65 of their brief, the plaintiffs object to the fact that the defendant does not interpret his claims as limited only to tuners operated by levers.

As repeatedly pointed out, none of the claims at issue call for a lever.

Claims 7 and 8 do not even mention an operating member of any kind, these claims being confined to the tappet and rocker. The type of member that carries the tappet is thus clearly immaterial to claims 7 and 8.

Claims 9, 10 and 11 call for "a manually movable operating member," or "manually movable operating means". It has been thoroughly established in these briefs that it was well known in the art that this could be either a lever or a plunger.

The fact that the plunger and lever were well known substitutes, requires that both patents, the original as well as the reissue, be construed as if the use of the plunger "were written out in the patent and delineated in the drawings."⁹ The well-established doctrine on this point was thoroughly discussed on pages 45 and 46 of Appellant's Opening Brief. It is significant that this was entirely ignored in the Brief for Plaintiffs-Appellees.¹⁰

⁹*Carnegie Steel Co. v. Cambria Iron Co.*, 185 U. S. 403, at 437, quoted on page 45 of Appellant's Opening Brief.

¹⁰Plaintiffs also ignored pages 24 to 30 of Appellant's Opening Brief which discussed the subject, "The Stated Objects as Well as Original Claim 5 Described the Invention Without Reference to Levers." The plaintiffs thus do not dispute that claim 5 of the original patent should have been taken into consideration when determining the patentee's original intention to claim his combination without reference to levers. Although a ruling is not necessary on this point, in view of the present proof that plungers and levers are mechanical equivalents, the defendant nevertheless urges that this Court, for the benefit of other patentees, should clarify this important point of patent law in conformity with pages 24 to 30 of Appellant's Opening Brief. The fact that defendant's arguments are nowhere disputed by the plaintiffs, adds great force to what the defendant had to say.

**Appellees' Course Requires That the Claims at Issue
Be Held Valid as Applied to Them.**

This subject was discussed on pages 66 to 69 of Appellant's Opening Brief. The plaintiffs have not even attempted to refute the proposition, as there set forth, that the claims at issue are valid as applied to them. This Court should consequently so hold.

**The District Court Erred in Sustaining Plaintiffs'
Objection to Defendant's Interrogatories.**

On pages 69 to 71, Appellant's Opening Brief showed that the lower court was wrong in sustaining plaintiffs' objections to Defendant's Interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18, and stated that if the issue of validity was to be tried, the lower court should be instructed to compel the plaintiffs to answer the said interrogatories because of the pertinence of the requested information to the issue of validity.

After identifying these interrogatories, the Brief for Plaintiffs-Appellees merely says on page 72:

“* * * This information could be material only on the issue of damages under appellant's counter-claim, paragraph II (I-16), and could not affect the summary judgment that there was no infringement.”

Defendant never claimed that this information was relevant to the issue of *infringement*, and he urged this court to require the answers only in case the issue of *validity* was to be tried. Appellant's Opening Brief showed that this information was highly relevant to the issue of validity, which the plaintiffs do not attempt to refute.

The Plaintiffs Are Bound by the Oklahoma Decision.

In Appellant's Opening Brief (pp. 53 to 65) it was shown that plaintiffs aided and participated in the defense of the Oklahoma action, and that they should therefore be adjudged bound by the Oklahoma decision.

Plaintiffs' brief, in discussing this subject (pp. 68 to 72), says the defendant urges that the Oklahoma decision is also pertinent from the standpoint of comity. As to the force of this decision, the plaintiffs say:

“* * * There is nothing in the record herein from which this Court can infer that the Oklahoma District Court even had before it this Court's *Associated Case* opinion. No reference thereto is made in the Oklahoma District Court's findings or conclusions. (I-52-60.)”

Contrary to this statement of the plaintiffs, the Oklahoma District Court made this finding [R. Vol. I, p. 59]:

“27. The tuners referred to in Finding 26¹¹ do not differ in any essential respect, so far as the question of infringement is concerned, from the tuner manufactured by Crosley Corporation of Cincinnati, Ohio, and which was the accused device in the action entitled *LeRoy J. Leishman v. Associated Wholesale Electric Co.*, tried in the Southern District of California and reported in 36 F. Supp. 804. In said

¹¹Finding 26 read as follows [R. Vol. I, p. 59]:

“26. The infringing tuners sold by defendant are exemplified generally by the defendant's exhibits G and H. These infringing devices were manufactured respectively by Radio Condenser Company and General Instrument Corporation, which are the joint plaintiffs in an action now pending in the District Court of the United States, Southern District of California, Central Division, and entitled: *Radio Condenser Company and General Instrument Corporation v. LeRoy J. Leishman*, No. 4395 B. H.”

action, the Circuit Court of Appeals for the Ninth Circuit rendered its opinion, reported in 137 F. (2d) 722."

Immediately following the last quoted words from the Brief for Plaintiffs-Appellees, the brief says that the Oklahoma court "does not even adjudge *Re. 20,827* to be for the same invention as the original patent." Here, again, plaintiffs' brief is in error. The U. S. District Court for the Western District of Oklahoma made two findings regarding the reissue and the matter of whether or not it was for the same invention as the original patent. These were findings 7 and 8, which read as follows [R. Vol. I, p. 54]:

"7. The reissue patent No. 20,827, and especially claims 7, 8, 9, 10 and 11 thereof, are for the same invention as patent 2,108,538; and it appears, from the face of the said patent 2,108,538, that plaintiff intended to claim the invention now claimed by claims 7, 8, 9, 10 and 11 in the reissue patent No. 20,827.

"8. The reissue patent No. 20,827 conforms in all respects with the requirements of Section 4916 of the Revised Statutes." (Section 4916 is the reissue statute.)

In conformity with these and other findings, the first conclusion of law read [R. Vol. I, p. 60]:

"1. Claims 7, 8, 9, 10 and 11 of the reissue patent No. 20,827 are good and valid in law."

And paragraph 2 of the Interlocutory Judgment was as follows [R. Vol. I, p. 61]:

"2. That claims 7, 8, 9, 10 and 11 of said reissue patent are good and valid in law."

Any criticism which the plaintiffs may have of the Oklahoma decision is of course irrelevant to the matter of

whether or not they are bound by that decision. If they aided and participated in the defense of that action they are bound by the decision, regardless of its nature.

Plaintiffs make no attempt to refute or deny the evidence presented by the defendant regarding the nature and extent of plaintiffs' participation in the Oklahoma action.

In Appellant's Opening Brief (pp. 53 to 65) the defendant showed from a certified copy of the Oklahoma record and the affidavit of Maxwell James, presented on behalf of the plaintiffs themselves, that:

1. Realizing their tuners would be accused as infringements of defendant's patent, the plaintiffs prepared a legal defense intended to make it appear that the patent claims were invalid as involving no invention over the prior art. (Appellant's Opening Brief, pp. 55, 56 and 57.)

2. In order to implement this legal defense, two special models were built by the model maker of plaintiff Radio Condenser Company.

3. One of these models was a representation of the Marschalk tuner. (See Appellant's Opening Brief, p. 55.)

4. The other model was intended to show "how the lever device of the Schaefer patent could be substituted for the lever device of the Marschalk patent, to *demonstrate* that there was no invention is so doing." (See quotation from James' affidavit on page 55 of Appellant's Opening Brief.)

5. On April 2, 1946, Mr. Mueller, who conducted the Oklahoma defense, telephoned Mr. James, the attorney in patent causes for both of the plaintiffs herein, stating that he, Mr. Mueller, was being compelled to go to trial in the Oklahoma suit on Monday, April 29th, and that

he, Mr. Mueller, did not have any or many physical exhibits to explain to the Court at such trial; and Mr. Mueller inquired whether Mr. James was in possession of any physical exhibits that he might lend to Mr. Mueller. (Appellant's Opening Brief, pp. 54 and 55.)

6. In response to Mr. Mueller's call for assistance, Mr. James delivered to Mr. Mueller the two models which were especially built to demonstrate the defense decided upon by the plaintiffs herein. (Appellant's Opening Brief, p. 55.)

7. In introducing the first of these models, Exhibit L in the Oklahoma action, Mr. Mueller identified himself with the plaintiffs herein, saying of this model: "*We* have no facilities for it, that is, that electric solenoid, so *we* have merely put a finger button on, and it can be operated by the hand in exactly the fashion that lever can." (Emphasis added.)

8. In introducing the second of the said models at the Oklahoma trial, Mr. Mueller said:

"For the purpose of this suit and an explanation of the defendant's position on invalidity, we have a model, Defendant's Exhibit M, which combines, as we will later show a lever out of the Marschalk patent, a lever out of the Schaefer patent, 1906106, and a rocker or rotary treadle out of the Marschalk patent, 20772897 [*sic*]." (Appellant's Opening Brief, p. 59.)

9. Mr. Mueller thus announced that he was going to present the legal defense which was embodied in the model prepared by the plaintiffs herein.

10. These models were the only models used at the trial that were constructed for defense purposes, all the

other models being regular commercial tuners available on the market. (Appellant's Opening Brief, pp. 58, 59 and 60.)

11. Mr. Mueller's sole witness against the patent was Dr. Spotts, associate professor of machine design at Northwestern University. Dr. Spotts' entire testimony was devoted to demonstrating the present plaintiffs' specially constructed models, laying a background for the same, and explaining the defense which the models were constructed to embody and demonstrate. (Appellant's Opening Brief, pp. 60 and 61.)

12. Mr. Mueller admitted that "If I had been doing it I would have had other models." (Appellant's Opening Brief, p. 62.)

13. The present plaintiffs thus were responsible for the defense presented at the said trial.

The plaintiffs deny none excepting the thirteenth item, but attempt to pass the others off by saying (Brief for Plaintiffs-Appellees, pp. 71 and 72): "The alleged 'participation' is shown to have consisted merely in lending to Mr. Mueller (attorney for defendant in the Oklahoma Case) two models, both of which had been in Mr. James' possession for years."

It must be borne in mind that these models had been in Mr. James' possession for years for the very purpose of defending the plaintiffs' tuners against a charge of infringing Leishman's patent when the need arose. It must also be borne in mind that the prior art had to be examined and a definite defense decided upon before models could be constructed to demonstrate such defense. In supplying these models to Mr. Mueller, at his request,

the present plaintiffs used the Oklahoma trial to present the defense which they had prepared in the hope of freeing their tuners from the charge of infringement.

The plaintiffs quote (page 70 of their brief) from the Ninth Circuit *Hy-Lo* case, which was also quoted in Appellant's Opening Brief (page 63), but plaintiffs' brief tries to make it appear that the defendant in the *Hy-Lo* case was freed, despite participation in the former action, merely because it was not a party thereto, whereas the controlling factor was the fact that the said defendant did not make the articles that were accused in the former suit.

The *Hy-Lo* case and the law governing when a party is bound were both well explained by this Court in the case of *National Nut Co. of California v. Sontag Chain Stores Co., Limited*, 107 F. (2d) 318, at 322, where the Court said:

“* * * The evidences establishes that the identical machine alleged to infringe was furnished to defendant by the Susu Nut Company, but this Company was never made a party to the actions, and there is no evidence that it participated in any phase thereof.

“This court in the case of *Hy-Lo Unit & Metal Products Co. v. Remote Control Mfg. Co.*, 9 Cir., 1936, 83 F. (2d) 345, 348-350, fully discussed the question as to when a person not formally made a party to an action may be estopped by the decision therein. We there said (page 350 of 83 F. (2d)

“ ‘These decisions by the Supreme Court establish the proposition that, in order for a person not formally made a party to a suit to be estopped by the decision therein, he must either be in privity with a party thereto in the strict sense of the term *or he*

must not only aid in the prosecution or defense of a suit, but have the right to participate and control such prosecution or defense. Neither in the supplemental bill or the affidavits are there any facts alleged showing a right of the appellee to participate in and conduct the defense of the action. * * *”

“Again, we quoted from our previous decision in *Carson Investment Co. v. Anaconda Copper Mining Co.*, 9 Cir., 26 F. (2d) 651, 657, as follows (pages 350 of 83 F. (2d)):

“‘We agree with appellee in the contention that the judgment could not be relied upon as an estoppel merely because the Anaconda Copper Company contributed some money toward the defense * * *; but that does not meet the broader proposition that if the Anaconda Company directed its counsel to confer with counsel for the American Smelting & Refining Company, and if such counsel participated in the preparation of the case for trial and in the trial of the issues, *and if the Anaconda Company had the right to exercise joint control over the litigation*, and did actually cooperate with the American Smelting & Refining Company in the trial and appellate courts * * * it became privy to the American Smelting & Refining Company suit.’ (All italics by the Court itself.)

“We think that the same rules apply to the converse situation, where it is sought to give one not a party to the action the benefits of the decision rendered therein. There is no evidence whatever to the effect that the Susu Nut Company actually controlled and directed the defense of the action before us, or that it had a right to do so.”

In the *Hy-Lo* case, the defendant participated in the defense of the former action, but was a stranger there-to because it did not make the devices involved in the

suit. In the *National Nut* case, the Susu Nut Company made the alleged infringing machine, but there was “no evidence that it participated in any phase thereof.”

In the instant case, the plaintiffs state in paragraph 8 of the complaint itself that they made the devices alleged to infringe in the Oklahoma action [R. Vol. I, pp. 7 and 8], and their participation has been admitted by the plaintiffs’ own counsel, Maxwell James, as well as by Foorman L. Mueller, counsel for the Oklahoma defendant. The plaintiffs expect, however, to escape the consequences of this participation on the ground that they nevertheless did not control the defense of the Oklahoma action, and that their preparation was made well in advance.

None of the decisions of this court is to the effect that full control is necessary in order to bind the third party. Such an interpretation would entirely nullify the rule that binds those who merely *aid* or *participate*. In this Court’s decision in the *National Nut* case, *supra*, it quoted from its own opinion in the *Anaconda* case, supplying its own italics, as follows:

“ . . . if the *Anaconda Company* had the right to exercise joint control over the litigation, and did actually cooperate with the American Smelting & Refining Company in the trial and appellate courts * * * it became privy to the American Smelting & Refining Company suit.”

It is thus clear that if the third party *has the right* to exercise joint control, it is bound if it merely *cooperates* in the defense.

This Court has consistently recognized that a manufacturer has the right to exercise joint control over a suit brought against a different nominal party involving the

said manufacturer's product if the nominal party consents to, or invites, such action on the part of the manufacturer. These decisions do not go so far as to state that the manufacturer *must* exercise joint control. If his relation to the controversy is such that he *has the right* to exercise such joint control, he is then bound if he merely participates in the defense.

There is a direct parallel between the present case and the *Anaconda* case in that Mr. Mueller, counsel for the defendant in the Oklahoma action, conferred with Maxwell James, counsel for the plaintiffs herein, requesting his help.

Also, as in the *Anaconda* case, these plaintiffs certainly "participated in the preparation of the case for trial," to use the words of this court's first quotation from the *Anaconda* opinion. This court is well aware that those preparing patent cases for trial very commonly prepare charts so that the facts and the arguments may be more easily grasped. The plaintiffs here went even further and produced two working models to illustrate and demonstrate the defense, one of these models being described by plaintiffs' counsel, Maxwell James, as "a model showing how the lever device of the Schaefer patent could be substituted for the lever device of the Marschalk patent, to demonstrate that there was no invention in so doing." [James affidavit, R. Vol. I, pp. 67 and 68.] If "one picture is worth ten thousand words," one three-dimensional working model like this ought to be worth ten thousand charts.

In their preparation of a defense to free their tuners from the charge of infringement, the plaintiffs here did their job well. That is apparent from Mr. Mueller's own

words when introducing one of these specially constructed models:

“For the purpose of this suit and an explanation as illustrative of the defendant’s position on invalidity, we have a model, Defendant’s Exhibit M, which combines, as we will later show, a lever out of the Marschalk patent, a lever out of the Schaefer patent, 1906106, and a rocker or rotary treadle out of the Marschalk patent, 20772897 [*sic*].”

In his Second Affidavit in Support of Motion under Rule 15(d) [R. Vol. I, pp. 69 to 72] to which the Court is respectfully referred, Leishman sets forth several pertinent facts pertaining to the said model M. This affidavit included the following:

“7. That early in the trial of the said Oklahoma action, Mr. Mueller, counsel for the defendant there, stated that Dr. Spotts, who was then in Chicago, could be present at the trial only on Wednesday, May first, and that he, Mueller, therefore wanted permission to put Dr. Spotts on the witness stand on that day irrespective of whether or not the plaintiff had finished presenting his case; and that in order to secure such consent, Mr. Mueller exhibited the said model Exhibit M and stated that Dr. Spotts’ testimony would consist solely of an explanation of the Marschalk and Schaefer devices and of the model last above mentioned.

“8. That the said model Exhibit M was of such a nature that it was, and would be, perfectly obvious to anyone familiar with the Marschalk and Schaefer patents, how the said model was intended to be used at the trial—so much so, in fact, that Mr. John Flam and affiant were able, merely as a result of seeing the said model, to prepare Dr. Spotts’ cross-examination before he had even left Chicago.”

That Dr. Spotts *did* confine his testimony to this model and the Schaefer and Marschalk patents whose teachings were alleged to be combined therein, was demonstrated on pages 60 and 61 of Appellant's Opening Brief. The entire defense in the Oklahoma case was thus a mere presentation of what the present plaintiffs had prepared.

The plaintiffs say at the top of page 72 of their brief that "neither of these models was constructed for the Oklahoma case," and that they had both "been in Mr. James' possession for years." But the plaintiffs do not say that these models had ever been used in any other case, and they certainly do not deny that they were constructed for the special purpose of trying to show that defendant's structure could be arrived at without invention—in fact, the James affidavit set forth that this was the express purpose of one of them.

The claim that these models had been in Mr. James' possession for years, is evidently intended to mean that if his preparation for a trial involving the plaintiffs' tuners had not been started until a suit was filed, the plaintiffs might conceivably be bound; but if the plaintiffs used foresight and prepared for a trial well in advance, they could turn the results of their preparation over to the customer and avoid being bound by the judgment in the event that the customer lost. Does this make sense?

Even though there has not been a trial in the present case, these briefs have shown that enough documentary evidence was presented in support of defendant's Motion under Rule 15d [R. Vol. I, pp. 63-65] to sustain the defense that the plaintiffs herein are bound by the judgment in the Oklahoma case. The District Court accordingly

should have granted leave to the defendant to file the supplemental answer setting forth this defense. It should also have held that the plaintiffs were bound by the Oklahoma judgment.

This Honorable Court should rule that the evidence proves the plaintiffs participated in the Oklahoma action, and the case should be remanded to the District Court with instructions that said court permit the filing of the supplemental answer and second supplemental counterclaim and that it hold that the plaintiffs are bound by the Oklahoma judgment.

If this Court should feel for any reason that the defense of participation has not been established, certainly it must agree that the defense is a proper one. In that event the defendant should be permitted to make the supplemental pleading and to present further evidence at a trial.

This Court should not overlook the fact that the defendant need not establish any other defense if it can be shown that the plaintiffs are estopped by the Oklahoma judgment. If this Court is not ready now to rule in favor of the defendant, he is accordingly entitled to a trial.

BRIEF FOR CROSS-APPELLEE.

As stated in the Brief on Plaintiffs' Appellees' Cross-Appeal, the cross-appeal is concerned only with the restriction of the original injunction by the addition of a seventh paragraph reading:

"This judgment shall not be construed to mean that the defendant is enjoined from proceeding in the case of *LeRoy J. Leishman v. The Richards and Conover Company*, Civil Action No. 2155 of the United States District Court for the Western District of Oklahoma, and defendant is not enjoined from proceeding against *Galvin Manufacturing Company*."

In order to determine whether plaintiffs' cross-appeal has any merit, it is necessary to know why the seventh paragraph was added to the injunction in the first place.

The suit of *LeRoy J. Leishman v. The Richards and Conover Company*, Civil Action No. 2155 of the United States District Court for the Western District of Oklahoma, mentioned in the appended seventh paragraph to the injunction, was filed *before* the present suit was instituted [R. Vol. I, p. 4, par. 4]. Plaintiffs are thus wrong in saying at the bottom of page 76 that "Appellant's avowed purpose in that suit is to secure a decision which is in conflict with the judgment in this case." Not only was the Oklahoma suit filed *before* the present suit, but the *judgment therein* was rendered on June 10, 1946 [R. Vol. I, pp. 60-62], *before* the judgment was entered in the present case on September 12, 1946 [R. Vol. I, pp. 94-96]. Defendant's avowed purpose in the Oklahoma suit was to secure an independent adjudication of the issues of validity and infringement in a circuit other than the Ninth, in the hope of obtaining a decision in conflict with that of this Appellate Court in the *Asso-*

ciated case so that a controlling opinion might be obtained from the Supreme Court.

The present suit was instituted to *prevent* the defendant from obtaining an independent adjudication in another circuit. The plaintiffs knew that an independent adjudication, based upon full evidence as to the well-known equivalency of levers and plungers in this art before defendant's patent was granted, would bring out the fact that this Court's holding of non-infringement in the *Associated* case was incorrect; and they therefore tried to stop the Oklahoma suit and shift the controversy to the Ninth circuit where they hoped to obtain a rubber-stamped decision based upon this Court's opinion in the *Associated* case.

The plaintiffs failed to stop the Oklahoma trial, and the claims of Leishman's patent here at issue were consequently held "clearly valid and clearly infringed." The Richards and Conover Company, the nominal defendant in the Oklahoma action, has appealed from that judgment.¹²

As the injunction herein was originally drawn, it would have prevented Leishman from defending the Oklahoma appeal. It would also have prevented him from bringing an action to recover from The Galvin Manufacturing

¹²If the Tenth Circuit Court of Appeals affirms the Oklahoma judgment, the conflict between its opinion and that of this Court in the *Associated* case will constitute sufficient grounds for the Supreme Court to grant a petition by the Oklahoma defendant for a writ of certiorari. It should not be necessary, however, for the Supreme Court to resolve such a conflict. Now that the equivalency of levers and plungers for operating tuners and moving tappets has been shown by defendant and admitted by plaintiffs in the prior Kettell, Peck and Philips patents (pp. 17 and 18 hereof), this Court should render a decision forthwith to the effect that the plungers and levers are equivalents and that plaintiffs' tuners are

Company, manufacturer of the radio receivers sold by the nominal defendant in the Oklahoma case, which said receivers contained tuners made by the plaintiffs in the instant action. Mr. Mueller, who handled the defense at the Oklahoma trial, stated that he was retained for that purpose by the said Galvin Manufacturing Company, and the Oklahoma Court accordingly ruled in finding 3 [R. I, p. 53] that the "said Galvin Manufacturing Corporation is bound by the judgment herein."

The paragraph that was added to the injunction simply permits Leishman to defend on appeal the judgment which he won in Oklahoma, and to bring an appropriate action against the said Galvin Manufacturing Company.

The *Kessler v. Eldred* decision, cited by the plaintiffs, is not at all in point here. Four different suits were involved in that controversy. In the *first* suit, Eldred, who owned the Chambers patent, brought suit against Kessler, a manufacturer, for infringement of the Chambers patent. In that first suit, the Court held that Kessler, the manufacturer, did not infringe Eldred's patent. Eldred then filed a second suit, this time against a *different* manufacturer, alleging infringement by the same type of device that Kessler, the first manufacturer, was making. In this *second* suit, Eldred prevailed and the device

infringements. Such an action by this Court would eliminate any conflict between the circuits, save the time of the Supreme Court, and avoid unnecessary additional litigation.

Expeditious action by this Court can even make it impossible for the Oklahoma defendant to represent before the Tenth Circuit Court of Appeals that this Ninth Circuit Court of Appeals has an opinion contrary to what it now knows the facts to be. The record on appeal has not yet been printed in the Oklahoma case, and there is thus time to remove the Oklahoma appellant's present opportunity of urging this Court's opinion in the *Associated* case, rendered on an inadequate record, as a proper basis for comity.

was held to be an infringement. Armed with this decision in his favor, Eldred brought a *third* suit. This *third* suit was brought against Breitwieser, a customer of Kessler, the manufacturer against whom Eldred had directed his initial suit. Breitwieser, in this *third* suit, was charged with infringing Eldred's patent by selling the Kessler lighter, which in the *first* suit was declared not to be an infringement. Kessler, not Eldred, then filed the *fourth* suit, entitled *Kessler v. Eldred*, and it was this fourth suit that got up to the Supreme Court. With this background information, the plaintiffs' quotations from the Supreme Court decision in the case of *Kessler v. Eldred* will have more significance, especially if the different suits are parenthetically identified. In mentioning the question to be decided, the Supreme Court said:

"First. Did the decree in Kessler's favor, rendered by the circuit court for the district of Indiana in the suit of Eldred against Kessler (the *first* suit), have the effect of entitling Kessler to continue the business of manufacturing and selling throughout the United States the same lighter he had theretofore been manufacturing and selling, without molestation by Eldred, through the Chambers patent?

"Second. Did the decree (in the *first* suit) mentioned in the first question have the effect of making a suit by Eldred against any customer of Kessler's for alleged infringement of the Chambers patent by use or sale of Kessler's lighters a wrongful interference by Eldred with Kessler's business?" (206 U. S. at 286.) (Parenthetical explanations added.)

The Supreme Court answered both of these questions in the affirmative. It thus held that the *first* suit that determined the status of Kessler's tuners should *thereafter* be controlling. The reason the *Breitwieser* suit (the third

in the series) was out of order was because it had already been adjudicated in the first action that Kessler's tuners were *not* infringements. It was not the *last* suit that determined their status; the *last* suit said it was the *first* suit that did this. There was thus nothing retroactive about the decision.

In the instant case, the plaintiffs are trying to make the judgment between the manufacturers and the patentee in the California Court apply *retroactively* to The Richards and Conover Company and their privies. The status of the tuners in the Oklahoma case was determined three months before the judgment was entered in the present case.

If Leishman, who lost against Crosley in the *Associated* case, should now, having won in Oklahoma, file another suit against a Crosley jobber, his action would be the same as that of Eldred when he filed his suit against Breitwieser, the Kessler jobber. When Leishman sued The Richards and Conover Company, however, there had been no prior adjudication of the status of plaintiffs' tuners.

The injunction, as modified by the additional seventh paragraph, prohibits the defendant from filing suits against any customers of the plaintiffs who were not involved in the Oklahoma action; but he is not enjoined from protecting the judgment that he had already won against the Oklahoma defendant and its privies.

"Not only preliminary injunctions, but also final injunctions, are within the discretion of the court. This is true also in case of mandatory injunctions. The equities of the particular case must govern, and no injunction should be granted in any case which will necessarily operate contrary to the real justice of the case." *Cyclopedia of Federal Procedure*, Second

Edition, section 6552, pp. 94 and 95, published by Callaghan and Company, Chicago, 1944.

Had the judgment in the present case not been modified by the addition of the seventh paragraph, to which the plaintiffs object, the defendant would have been deprived of the patentee's recognized right to an independent adjudication of his rights in a second circuit—in fact, he would have been deprived of such independent adjudication after he had already obtained it.

“Before the establishment of the Circuit Courts of Appeals, an adverse decision as to the validity of a patent in one circuit appears not to have foreclosed litigation of the same issue in another, see *Barbed Wire Patent* 143 U. S. 275, 12 S. Ct. 443, 450, 36 L. Ed. 154; compare *United States v. American Bell Telephone Co.*, 128 U. S. 315, 372, 9 S. Ct. 90, 32 L. Ed. 450. *That it does not now is IMPLICITLY RECOGNIZED by the practice established under section 240(a) of the Judicial Code 28 U. S. C. A. § 347(a) and Rule 38 (5) of this Court (28 U. S. C. A. following section 354)*, that certiorari will not usually be granted in patent cases unless there is a conflict in the decisions of Circuit Courts of Appeals. We conclude that neither the rules of the common law applicable to successive litigations concerning the same subject-matter, nor the disclaimer statute, precludes relitigation of the validity of a patent claim previously held invalid in a suit against a different defendant.

“It follows that want of disclaimer of claims previously held invalid can never be set up as a bar *in limine* to the maintenance of a second suit upon those claims, and any others of the patent, since *the patentee is entitled to invoke in that suit the independent judgment of the court upon the validity of*

the claims which have been held invalid." (Emphasis added.)

Triplett et al. v. Lowell et al., 297 U. S. 638, 56 S. Ct. 645 at 648.

Had the injunction herein not been modified by the addition of the seventh paragraph, the patentee would have been deprived of an adjudication in the Tenth Circuit in conflict with the decision of this Ninth Circuit Court of Appeals in the *Associated* case. The District Court did not think that was proper. Furthermore, the District Court had no jurisdiction to issue an injunction that would in effect reverse the judgment of another District Court in another circuit. That would have been the effect of enjoining Leishman from defending the appeal from the Oklahoma decision.

The additional seventh paragraph of the injunction is manifestly proper and should stand.

Of course, if the summary judgment is set aside, or if the judgment of the lower Court is reversed, the injunction in its entirety will be wiped out; and defendant's briefs have demonstrated that this Court should take such action.

Conclusion.

The conclusion to Appellant's Opening Brief, pp. 78 to 80, summarized the various issues and recommended the individual rulings that would be consistent with the evidence, but it is respectfully submitted that this Court should act upon all the issues by holding:

1. That summary judgment should not have been granted against the defendant in direct conflict with the

judgment of another district court rendered after a full trial;

2. That summary judgment should not have been entered against the defendant on the basis of *stare decisis* in view of this Court's opinion in the case of *Leishman v. Associated Wholesale Electric Company*, because the record herein is vastly different.

3. That the summary judgment was improper for the additional reason that the defendant was entitled to every opportunity to establish the proper and legitimate defense that the plaintiffs are bound by the judgment in the Oklahoma action;

4. That the defendant's First Supplemental Answer and Second Supplemental Counterclaim should be entered;

5. That the plaintiffs are bound by the judgment of the United States District Court for the Western District of Oklahoma in the case of *LeRoy J. Leishman v. The Richards and Conover Company*, Civil Action 2155, because of their participation in the defense of that suit;

6. That irrespective of the fact that the plaintiffs are bound by the Oklahoma judgment, the claims here at issue are valid with respect to these plaintiffs because the said plaintiffs urge that this Court apply the holdings of its decision in the *Associated* case, which said decision restored the presumption of validity to the patent, the evidence against validity in the *Associated* case and the briefs attacking the patent having been insufficient to cause this Court to formulate an opinion that the claims were invalid;

7. That the Mackeown affidavit, filed on behalf of the plaintiffs, asserts that plaintiffs' tuners are the same as

the Crosley tuner involved in the *Associated* case in so far as the claims here at issue are concerned;

8. That the rocker and tappet of plaintiffs' tuners are therefore the same in so far as these claims are concerned as the rocker and tappet in the Crosley tuner, which were held in the *Associated* case to be equivalents of the corresponding elements of the patent;

9. That the objects of the original and reissue patents (in which the drawings and specification are identical) reveal that the patentee did not regard the operating member as being essentially a lever;

10. That claim 5, for the reason that it was a part of the original patent when it issued, must be taken into consideration when examining the original patent for the purpose of determining the patentee's original intent; and that the said claim 5, which did not call for the operating member as an element of the combination, clearly revealed that the patentee recognized his invention could be present irrespective of the nature of the operating means;

11. That with respect to the equivalency of plungers and levers, the record herein is vastly different from that in the *Associated* case;

12. That plaintiffs, even if they were not bound by the Oklahoma judgment, cannot avoid infringement of claims 9, 10 and 11 by using a plunger instead of a lever as the operating members called for therein, because it has been shown by the record now before this Court that these elements were well known in the art as proper substitutes in the operation of automatic tuners and for moving tappets when the patent at issue was granted;

13. That irrespective of the equivalency of levers and plungers, the plaintiffs infringe claims 7 and 8 for the

reason that these claims do not call for the operating member as an element of the combination; and

14. That since "that which is common and well known is as if it were written out in the patent and delineated in the drawings," both the original and reissue patents must be construed as if levers and plungers were shown therein as alternative means for moving the adjustable positioning elements, or tappets; and that the original and reissue patents are thus clearly for the same invention irrespective of the evidence to this effect contained in the objects and in original claim 5.

If, in the Court's view, it has not yet been conclusively established that controlling issues can only be resolved in defendant's favor, then a trial is essential; because if the defendant can establish only the single defense that the plaintiffs are bound by the Oklahoma judgment, all other issues are immaterial in so far as these plaintiffs are concerned, regardless of how such other issues might otherwise be decided.

If the issue of validity is to be tried, the lower court should be required to insist that the plaintiffs answer Defendant's Interrogatories 4, 5, 6, 7, 9, 10, 11, 17 and 18.

Respectfully submitted,

LEROY J. LEISHMAN,
Defendant, in Propria Persona.

No. 11652

IN THE

United States Circuit Court of Appeals
FOR THE NINTH CIRCUIT

LEROY J. LEISHMAN,

Appellant,

vs.

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
CORPORATION,

Appellees.

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
CORPORATION,

Cross-Appellants,

vs.

LEROY J. LEISHMAN,

Cross-Appellee.

DEFENDANT-APPELLANT'S SUPPLEMENTAL
BRIEF.

FILED

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CLERK

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vs.

LeROY J. LEISHMAN,

Cross-Appellee.

DEFENDANT-APPELLANT'S SUPPLEMENTAL
BRIEF.

I.

Introduction.

The questions of the Honorable Judge Bone regarding the finality of the decision of the Patent Office in granting a reissue, which were asked at the hearing on the appeal, were particularly pertinent because of the statement in this Court's opinion in the *Associated* case that if the claims of the reissue patent "do not include levers,

the claims are not for the same invention as the original patent and hence are invalid. If they do include levers, the claims are not infringed, for the accused device contains no lever.”

Despite this statement, the opinion nevertheless went on to consider whether the plungers and levers were equivalents. Inasmuch as the opinion had just previously said that the reissue claims are not for the same invention as the original unless they include levers, the subsequent consideration of this subject of equivalency seemed to mean that the claims would nevertheless be infringed if the plungers and levers were equivalents. Otherwise, there was no apparent pertinence in considering whether they were equivalents and in the holding that they were not. Because of the controlling significance thus apparently attached to this matter when the *Associated* decision was rendered, the patentee proceeded in the present action to establish infringement by introducing evidence, not previously before the court, proving that plungers and levers have long been known as proper substitutes in this art and that they meet the requirements for mechanical equivalents made by the Supreme Court.

It is now clear, however, that it is advisable to consider whether the reissue claims need to include levers in order to be for the same invention as the original patent. In this connection, the defendant appreciates the helpful remark which the Honorable Judge Matthews made at the hearing to the effect that if all the present evidence as to the equivalency of plungers and levers had been in the *Associated* record, it would not have made the slightest difference in his opinion, but that he could not speak for his colleagues.

The consideration of the equivalency of levers and plungers at the close of the *Associated* decision thus apparently had nothing to do with the formulation of the Honorable Judge Matthews' individual opinion in that case. The holding that these elements are not equivalents nevertheless forms part of the total opinion of this Court as it appears in the published decision, and this issue therefore cannot safely be ignored by any litigant in any action where the *Associated* opinion might apply.

The hearing thus showed that two questions must be considered on the matter of infringement: whether plungers and levers are equivalents, and whether the re-issue claims need to include levers in order to be for the same invention as the original patent. For reasons hereinbefore stated, the latter question was given little consideration in defendant's previous briefs; but the interest shown by the Court in this aspect of the case at the hearing makes it advisable that the subject be more thoroughly treated in connection with the pertinent decisions.

In view of the statement of the Honorable Judge Orr that the defendant could safely assume that the court would like additional information on all the issues, certain other subjects will also be concisely treated. The pendency of another case in this circuit, and the appeal now before the Tenth Circuit Court of Appeals, both involving this same patent, makes it particularly important that this court be well informed on the pertinent law when deciding the issues now before it.

II.

The Scope of the Summary Judgment.

As stated on the first page of the patent here in suit [R., Vol. II, p. 169, column 1, lines 30 to 33], one of the objects of defendant's invention is "to afford means whereby the apparatus *may easily be adjusted* so that a definite manual operation will cause the desired rotatable element [radio tuning dial] to be turned to a desired position." This involved the overcoming of unexpected problems and unobvious difficulties discussed at length in the briefs on the issue of validity in the *Associated* case. This appeal is not concerned with these problems and their solution, because plaintiffs' Motion for Summary Judgment asked for a decision on the question of infringement only. Suffice it to say, however, that these difficulties were overcome by constructing and arranging the rocker and tappet so that their axes of rotation are coincident or in line (coaxial) when these two members are in complete engagement, as illustrated and described in the original and reissue patents.

Such a rocker and tappet combination, plus a spring for moving the tappet away from the rocker, *are the only elements called for in claims 7 and 8*, which cover the very heart of the invention. No lever or plunger or other operating member is mentioned in these two claims, because it manifestly makes no difference how the tappet is moved into engagement with the rocker.

This basic combination is admittedly present in plaintiffs' tuners, but the summary judgment was requested in order to determine whether the plaintiffs can appropriate this combination and avoid infringement of *all* the claims simply by using a plunger as the "manually operable means" or "manually operable member" called for in claims 9, 10 and 11.

III.

Re the Equivalency of the Plungers and Levers.

In view of opposing counsel's recent concession that plungers and levers were both old in the radio tuning art, only a few more points need now to be cleared up on the subject of equivalency before passing on to a discussion of whether the reissue claims must include levers in order to be for the same invention as the original patent.

When the defendant was discussing the evidence of the equivalency of plungers and levers at the hearing, the Honorable Judge Bone asked about the use of plungers in this particular art. When the defendant mentioned the 1883 device of Kettell, shown on the insert between pages 36 and 37 of Appellant's Opening Brief, Judge Bone inquired as to the pertinence of this to the automatic tuning of a radio receiver. The defendant wishes to point out that the Kettell device, which is disclosed more fully in the patent itself in Vol. II beginning on page 178, was an electric clock setting mechanism, intended for the specific purpose of bringing the minute hand exactly to the perpendicular position in line with the figure 12 in response to an electrical impulse. This is the same general problem as that with which we are concerned in turning a radio tuning dial to a specific position. With Kettell's clock, however, the angular position to which the minute hand must be turned was always the same, whereas an automatic tuner must be capable of advance adjustment so that the plunger or lever will rotate the dial or knob to the particular angular position required for whatever station the user may desire.

Regarding this more specific field, the Honorable Judge Bone asked what prior art patents showed the use of plungers in devices intended for tuning radio sets. The following list shows the *tuner* patents in Volume II of the present record that disclose the use of plungers, together with the figures in which the plungers may be seen, and the reference numbers by which the plungers may be identified:

- Bast, p. 186, Fig. 2, plunger 12;
- Marvin, p. 190, Fig. 1, plungers 2, 3, 4, 5, 6 and 7;
- Freytag, p. 204, Figs. 1, 4 and 5, plunger 15;
- Faas, p. 212, Figs. 1, 2, 3 and 4, plunger 39;
- Jacke, pp. 228 and 229, Figs. 1, 2, 3, and 8, plunger 11;
- Peck, p. 238, Fig. 2, plunger 30;
- Danish patent, p. 255, Fig. 1, plungers 3 and 6.

All the patents in the foregoing list were issued before the patent at issue was granted, except that of Jacke; but Jacke's use of plungers was well known in the art because of the many interferences in which it became involved in the patent office before the issuance of defendant's patent.

The Kettell patent, previously discussed, and the Peck and Danish patents on the foregoing list, each illustrate the *alternative* use of plungers and levers in the same device. The pertinent figures from the Kettell, Peck and Danish patents were reproduced in Appellant's Opening Brief.

Plungers were thus well known as proper substitutes for levers when the patent at issue was granted, and they are therefore mechanical equivalents of levers according to the formula set forth and followed by the Supreme Court, quoted in the previous briefs.

Inasmuch as the opinion in the *Associated* case says the plungers and levers are *not* equivalents, the district courts in this circuit are not likely to hold otherwise until this Honorable Court corrects its ruling in accordance with the new evidence now before it.

Actually, of course, the essence of the invention is in the construction and arrangement of the rocker and tap-pet. A lever or plunger is merely a convenient means of operating the combination.

IV.

The Reissue Claims Do Not Have to Include Levers in Order to Be for the Same Invention as That Described in the Original Patent.

- (a) **Plungers Were Equivalents of the Levers in the Original Patent as Well as in the Reissue, and Since the Original Patent Was Thus Not Confined to Levers, the Reissue Does Not Have to Include Levers in Order to Be for the Same Invention.**

It was pointed out at the hearing that the specifications and drawings of the original and reissue patents are identical. It therefore follows that if plungers were well known as substitutes for levers before the issuance of the original patent, these elements must be regarded as mechanical equivalents in the original as well as in the reissue. Both patents issued in 1938—the original on February 15th and the reissue six months later on August 16th. All of the uses of plungers hereinbefore discussed antedated the original as well as the reissue. The original patent was therefore not confined to levers, and it consequently cannot be held that the reissue must be confined to levers in order to be for the same invention.

(b) The Law With Respect to Reissues.

At the hearing on this appeal, the Honorable Judge Bone inquired as to the finality of the decision of the Commissioner of Patents in granting a reissue. The law on this point was well stated by this Ninth Circuit Court of Appeals in its opinion in the case of *John Kitchen, Jr. Co. v. Levinson*, 188 F. R. 658, at 661:

“From the reissuance of the patent it is to be presumed that the law was complied with, and the proceedings can only be impeached for fraud. In *Seymour v. Osborne*, 11 Wall. 516-543 (20 L. Ed. 33), it was said:

“‘Where the commissioner accepts a surrender of an original patent and grants a new patent, his decision in the premises in a suit for infringement is final and conclusive and is not re-examinable in such a suit in the Circuit Court unless it is apparent upon the face of the patent that he has exceeded his authority, that there is such a repugnancy between the old and the new patent that it must be held as a matter of legal construction that the new patent is not for the same invention as that embraced and secured in the original patent.’”

The requirement that the reissue must be for the same invention as that embraced in the original, is made to prevent the patentee from introducing new matter into the reissue in order to secure claims that the original specification and claims would not support. But where a comparison of the two patents reveals that nothing new has been added, as in the present instance,

then the courts have held that the reissue is for the same invention as the original.

“Whether a reissue patent is for the same invention as that embodied in the original patent, or for a different one, is a question to be determined by a comparison of the two documents. It clearly appears, from an inspection of the drawings of the two patents here under consideration, that nothing new was added to the drawings of the reissue patent and that in the reissue specification the operation of certain elements was explained, which in the original was omitted. Both drawings fully support these conclusions. The inventions of the two patents are therefore identical. It is not new matter within the meaning of the statute, to explain, in a reissue, the operation of an element which was shown in the original drawing.” (*Hawie Mfg. Co. v. Hathaway*, 27 F. (2d) 937, 939.)

Even though the specifications in the *Hawie* case were altered to explain the operation of some of the elements, the court nevertheless held that the reissue was for the same invention because the drawings were the same. In the reissue with which we are concerned, no alteration whatever was made in either the drawings or the specifications, because no change of any kind was required in order to support the additional claims. These additional claims could have been made in the original patent itself. They merely described in more detail and with greater accuracy the construction of the rocker and its relationship with the tappet *as shown and described in the original patent*. They did not define the manually operable member as a lever, but neither did the objects of the *original* patent, nor *original* claim 5. In other words, the reissue

was for the same invention as that shown and described in the original.

One of the leading Supreme Court cases on reissues, is *Topliff v. Topliff*, 145 U. S. 156, 166, where the court said:

“* * * There is no doubt, as was said by this court in *Powder Company v. Powders Works*, 98 U. S. 126, 137, 138, that a reissue can only be granted for the same invention which formed the subject of the original patent, of which it is a reissue, since, as was said by the court in that case, the express words of the act are ‘a new patent for the same invention.’ The specification may be amended so as to make it more clear and distinct; the claim may be modified so as to make it more conformable to the exact rights of the patentee, but the invention must be the same . . . This prohibition is general, relating to all patents; and by ‘new matter’ we suppose to be meant new substantive matter, such as would have the effect of changing the invention, or of introducing what might be the subject of another application for a patent.”

The term “new matter,” mentioned in the foregoing Supreme Court case and in the previously quoted *Harvie* decision, is also mentioned in Rule 88 of the Rules of Practice of the U. S. Patent Office, which guides the patent office in seeing that reissues are in conformity with the statute and the controlling decisions. Rule 88 reads as follows:

“New matter shall not be allowed to be introduced into the reissue specification, nor in the case of a machine shall the model or drawings be amended except each by the other.”—*Rule 88, Rules of Practice of the U. S. Patent Office.*

In the reissue patent before the court, no new matter of any kind was introduced into the reissue specification, and the drawings were not amended in any respect whatever, and the claims were drawn to the same invention.

Two leading Supreme Court cases afford excellent illustrations of what can and cannot be done in reissue patents. One of these was *Topliff v. Topliff, supra*. It was there shown that the reissue patent may actually vary considerably from the original *so long as there is no change in substance*. Said the Supreme Court, at page 164:

“With regard to the reissue of this patent, the records show that on April 9, 1872, within four months from the date of the original patent, a reissue was granted, in which the specification was largely reframed, the drawings changed in form, though apparently not in substance, but the claim was changed only by providing that the connecting-rods should be ‘secured directly to the hind axle and front bolster,’ instead of ‘to the front and rear axles,’ as provided in the claim of the original patent . . .

* * * * *

“The original claim was, in the particular above mentioned, a clear mistake . . .

* * * * *

“The second reissue was applied for a little more than a month after the first was granted, although the patent was not granted upon this application until March 28, 1876, nearly four years after the application was filed. No change from the first reissue was made in the drawings or specification in this reissue, but the claim was divided and changed . . .

* * * * *

“* * * The second claim is to some extent a change of the claim of the first reissue. It omits the requirements that the connecting-rod shall be secured directly to the axle and bolster, so as to cause both ends of the side springs to yield simultaneously, and introduces the half elliptical springs AA' as a new element of the combination. Whether this be an enlargement of the original claim or not, it is for substantially the same invention, . . .

* * * * *

“* * * such reissues are subject to the following qualifications:

“First. That it shall be for the same invention as the original patent, *as such invention appears from the specification and claims of such original.*” (Emphasis added.)

If it is proper to make such changes as those approved by the Supreme Court in the *Topliff v. Topliff* decision, certainly the propriety of the present reissue cannot be questioned. The present reissue differed from the original only in the addition of seven claims, all of which were directed to the same invention disclosed in the specification and drawings of the *original* patent, which were adopted as the specification and drawings of the reissue *without the slightest change.*

New claims 7 and 8, which included only the rocker and tappet, were substantially like original claim 5, but claim 8 mentioned that the axes of the tappet and rocker must be coaxial when these two elements are in complete engagement, and claim 7 mentioned the recess in the rocker which helps to make the coaxial relationship possible.

The only other claims with which we are here concerned are claims 9, 10 and 11. These claims mentioned a "manually operable member" or "manually operable means" to move the tappet, and set forth structural features having to do with the coaxial relationship between the rocker and tappet.

Everything called for in these reissue claims pertained to the same invention shown and described in the *original* patent. They are thus manifestly for the same invention.

In *U. S. Industrial Chemicals, Inc. v. Carbide & Carbon Chemicals Corporation*, 315 U. S. 668, 62 S. Ct. 939, the invention covered by the reissue was clearly not the invention set forth in the original, and the Supreme Court so ruled. In the original patent, the addition of water in the form of liquid or steam was stressed as an essential step in the chemical process that was patented. After the issuance of the original patent, further investigation led to a *new* discovery—namely, that the amount of moisture normally in the air was sufficient to make the addition of water in either form unnecessary. A reissue was then applied for, and the specification was entirely changed to include the new discovery. This was obviously the introduction of new matter, which the law forbids.

The reissue dealt with in the *U. S. Industrial Chemicals* case provides an excellent example of the kind of reissue which the Supreme Court said would provide an exception to its rule that the commissioner's decision is final. In the *Seymour v. Osborne* decision, quoted by the present court in the *John Kitchen* case, *supra*, the Supreme Court said the commissioner's decision "is final and conclusive and not re-examinable . . . unless it is apparent upon the face of the patent that he has exceeded his authority,

that there is such a repugnancy between the old and the new patent that it must be held as a matter of legal construction that the new patent is not for the same invention as that embraced and secured in the original patent."

So that the present court may see just what was thought to constitute such a "repugnancy between the old and the new patent" when the Supreme Court examined the original and reissue in the *U. S. Industrial Chemical* case, copies of the original and reissue patents have been provided in the appendix hereto as Exhibits A and B, respectively. They are so different that almost anyone would be likely to conclude that any resemblance is purely coincidental.

After examining the original and reissue patents in that case, with their very dissimilar specifications, the Supreme Court said:

"* * * The District Court made no finding directed to this fact, but the court below definitely holds, and we agree, that in the process defined in *the original patent*, the voluntary introduction of water into the reaction chamber is *mandatory*. * * *

"As the Circuit Court of Appeals held, the original specification and claims treated the voluntary introduction of water into the reaction chamber as a *necessary* step in the process, whereas such introduction is made *permissive* by the reissue. We agree with that court's view that there is thus a difference between the procedure described in the two documents.

* * *

“We think it plain that the reissue omitted a step in the process which was described and claimed as *essential* in the *original* patent.” (*U. S. Industrial Chemicals v. Carbide & Carbon C. Corp.*, 315 U. S. 668, 62 S. Ct. 839.) (Emphasis supplied.)

In the instant case, the use of a lever was not “described and claimed as essential in the original patent.” For the very reason that it was *not* essential, the patentee used the term *lever* in his original specification proper only when he was describing the illustrative embodiment shown in the drawings. In all other parts of the explanation he used terms sufficiently broad to include the mechanical equivalents that were well known in the art. That the patentee regarded the manner of moving the tappet as *immaterial* is shown in the objects, where the operation of the tuner is referred to *five different times* in broad enough terms to include *any* manner of operation. On page 1, column 1, lines 19 and 20 of the original patent [R., Vol. II, p. 175], the term is “a simple manually operated control.” In the same column, line 23, the reference is to “a single manual operation.” This same term recurs in lines 28 and 29. In lines 31 and 32, it is “a definite manual operation.” In the next column, line 8, in referring to the use of his invention for tuning in both sound and television, the patentee again uses the term “a single manual operation.”

That the patentee did not regard any particular kind of an operating member as essential is shown conclusively by original claim 5, *which did not even mention any kind of an operating means as an element of the combination.*

(c) In Examining the Original Patent for Evidence of What the Inventor Intended to Patent, This Honorable Court Should Have Considered Claim 5.

As set forth by the Supreme Court in its *Topliff v. Topliff decision, supra*, the reissue must be “for the same invention as the original patent, as such invention appears from the specification *and claims* of such original.” (Emphasis supplied.)

Claim 5 of the original patent did not include a lever, but was confined to the essential elements—the rocker and the pivoted tappet means, plus a spring for moving the tappet out of engagement with the rocker.

In the *Associated* case, however, this Honorable Court said: “No leverless combination is disclosed or claimed in the original patent” (137 F. (2d) at p. 726, but it explained in footnote 12 (at page 725), “For reasons heretofore stated the patent is construed as if claim 5 had never been included therein.”

After thus explaining that claim 5 would be omitted, the *Associated* decision quoted the other original claims—1, 2, 3, 4 and 6, and then stated: “No leverless combination is disclosed or claimed in the original patent” The opinion then quoted the claims added by the reissue and said: “If they do not include levers, the claims are not for the same invention as the original patent and hence are invalid.¹⁵ If they do include levers, the claims are not infringed, for the accused device contains no lever.” (Footnote 15 merely referred to the U. S. Industrial Chemicals decision, already discussed herein, and which was to the effect that a reissue patent may not omit something which was stressed as essential in the original.)

The opinion then proceeded to discuss whether the equivalents of defendant's structure could be found in the accused device; and after finding an equivalent rocker and tappet, the opinion concluded the discussion of equivalents by saying “. . . the plungers and the levers are not equivalents.”

From the helpful remarks made by the Honorable Judge Matthews at the hearing, it appears that despite the new evidence that plungers and levers *are* equivalents, some significance is nevertheless still being attached to the matter of whether the original patent defined a combination without levers. The defendant therefore proposes to show that claim 5, though later disclaimed, should not have been omitted when examining the original claims for evidence of the patentee's intent.

Inasmuch as claim 5 *called merely for a rocker, a tappet and a spring*, this claim showed that the inventor realized that his invention could be present in these elements alone regardless of what means might be used to move the tappet. This claim, confined to the basic elements, did not include a lever, a plunger, or any other kind of an operating member. If the defendant shows that this claim should not have been omitted when examining the original patent to determine the elements that were regarded as essential, then the evidence in claim 5 cannot be disregarded, and it cannot be held that *either* plungers or levers are essential to the invention. Infringement of claims 7 and 8 can then be established at once, for these claims, aside from the spring, call only for a tappet and a rocker with specific structural features that are admittedly present in the accused tuners. As to the infringement of claims 9, 10 and 11, the only additional element neces-

sary to find in plaintiffs' tuners is "a manually operable member", or a manually operable means". Plaintiffs' plunger is clearly such an element.

As indicated in footnote 7 of this court's prior decision, the idea of omitting claim 5 when considering the original patent, grew out of the Supreme Court decision in *Altoona Publix Theatres v. American Tri-Ergon Corp.*, 294 U. S. 477, 491, 55 Ct. 455, which said that the disclaimer therein "speaks from the date of the original patent." Appellant's Opening Brief, pages 24 to 30, discussed certain phases of this matter under the heading "The Stated Objects as Well as Original Claim 5 Described the Invention Without Reference to Levers," and it was there pointed out that the patent sued upon in the *Altoona* case was not a reissue patent and that the Supreme Court merely meant the patentee's relinquishment of his monopoly to the disclaimed combination dated back to the original patent.

The Supreme Court did not say that a disclaimed claim could not be considered when examining an original and a reissue patent to determine whether they were for the same invention; in fact, it will be shown hereinafter that such an interpretation is contrary to the *Altoona* decision.

The idea that claim 5 should be omitted when comparing the two documents, did not originate with either of the litigants in the *Associated* case. It was not proposed in any of the briefs of opposing counsel. It was neither discussed nor suggested at the hearing in that case. The first time the idea was advanced anywhere was in the final opinion of this Court, which was thus rendered without the benefit of briefs upon this point from either side.

In the *Altoona* case, the Supreme Court considered whether claims 9 and 10 as modified by a qualifying disclaimer were for the same combinations set forth in the original claims. But in order to determine this, the Court compared the claims as altered by the disclaimer with the claims *as they appeared when the patent originally issued from the Patent Office*.

The Court did not first alter the original patent to take the disclaimer into account on the ground that the disclaimer speaks from the date of the original patent, and then compare the patent *as thus altered* with the patent as it later appeared after the disclaimer. Such a procedure would have rendered the comparison meaningless. It was absolutely essential for the Supreme Court to determine the patentee's intent with respect to the combination by considering the claims *just as the patent appeared when it was originally granted*.

The Supreme Court even made the latter method *mandatory* upon *itself* in the very last decision that it rendered upon the subject of disclaimers. This was the case of *Milcor Steel Co. v. George A. Fuller Co., et al.*, 316 U. S. 143, 62 S. Ct. 969, where the Court said at page 971:

"Limiting ourselves *as we must* to the *original claims* to determine the nature of the combination covered by the patent WHEN IT WAS GRANTED, and comparing that combination with the one purportedly embodied by the claims after the disclaimer, we can only conclude that the revised patent includes new elements which were not present in the original."
(Emphasis added.)

All through the *Altoona* decision, the Supreme Court makes its comparison on the basis of how the patent read "*when it was granted*" before the disclaimer had been filed. The following excerpts from the *Altoona* opinion are very illuminating in this regard:

At page 456:

"Claim 9, as originally allowed, was for the arcuate flexing of the record; claim 13 similarly was for a combination for a means for projecting a narrow line of light upon and through the moving film to a photoelectric cell in sound reproduction. A disclaimer, filed by respondent shortly before the trial, purports, in varying terms, to add the flywheel device to each of these claims."

At 459:

"The Court of Appeals, in upholding the patent, made no examination of its separate claims, but treated the patent throughout as though it were a combination of five distinct elements, the photoelectric cell, the arcuate flexing of the film, the flywheel, the flexible connection of flywheel, and the optical slit, although nowhere in the patent is any such combination claimed. The patent thus upheld is one which was neither claimed nor granted. Under the statute, it is the claims of the patent which define the invention." (Citing cases.)

At 460:

"* * * The patent as issued contained the following claims:"

(Claims 9 and 13 were then quoted).

“In 1933 respondents, by appropriate procedure, disclaimed:

“(b) The method as set forth in claim 9, excepting wherein”

“(c) The combination as set forth in claim 13, except wherein”

“While the effect of the disclaimer, if valid, was in one sense to narrow the claims, so as to cover the combinations *originally appearing in claims 9 and 13* only when used in conjunction with the flywheel, it also operated to add the flywheel as a new element to each of the combinations described in the claims * * *.”

At 461:

“A patent amended by disclaimer thus speaks from the date of the original patent *while the reissued patent, with respect to the amended claim, speaks from the date of the reissue.*” (Emphasis added.)

The *Milcor* and *Altoona* decisions, as previously pointed out, dealt specifically with disclaimers. The latter decision, as shown by the last quoted paragraph, is the very one in which the Supreme Court said “the disclaimer speaks from the date of the original patent”—the statement upon which this appellate court relied for its omission of original claim 5 when examining the original patent. Yet when the Supreme Court was trying to determine whether the patent *after the disclaimer* was for the same combination intended to be protected by the original claims, it carefully examined the original wording of the specific claims that were affected by the disclaimer.

With reissues, it isn't even necessary to be limited to the original claims in making the comparison, for the previously quoted *Harvie*, *Topliff* and *U. S. Chemical* de-

cisions all dealing with reissues, have laid particular stress upon the specification and the drawings. But when making a reissue comparison, the original patent must not first be altered to conform with later disclaimers, for the Supreme Court did not even do that in the *disclaimer* case in which it said that “the disclaimer speaks from the date of the original patent.” It is thus clear that this statement merely meant that the disclaimer speaks from the date of the original patent as far as the patentee’s monopoly is concerned.

That the disclaimer of claim 5 on January 16, 1939, could not possibly have any effect upon the validity of the reissue on August 16, 1938, may be further shown by a simple illustration. Suppose that claim 5 had not been disclaimed when this Court rendered its opinion in the *Associated* case. The Court would then have considered claim 5 when comparing the original and reissue claims, and it consequently could not have been said that “No leverless combination is disclosed or claimed in the original patent,” nor that “if the claims do not include levers, the claims are not for the same invention as the original patent and hence are invalid.” The validity of the reissue would therefore have been upheld. Then suppose that claim 5 was subsequently disclaimed. Would that mean that the reissue which had previously been held valid had now become invalid? If so, the validity of a reissue can never be finally determined, and the decision of the Commissioner of Patents, instead of having the finality attributed to it by this Honorable Court in the *Kitchen* case, *supra*, could be upset at any subsequent time merely by the disclaiming by the patentee of a broad reissue claim that had appeared in the original patent.

When the Commissioner of Patents acts upon the granting of a reissue, he has all the facts before him that can

have any possible bearing upon whether or not the re-issue is for the same invention as the original.

At this point it might be natural to inquire just what *was* the effect of the disclaimer of claim 5, and did it have any bearing at all upon the matters with which we are here concerned. The reason for the disclaimer of claim 5, and the net effect of the disclaimer, were explained in Appellant's Opening Brief, beginning with the last sentence on page 27 and extending to line 6 of page 30.

In the course of that explanation, the statement was made that claim 5 was discovered to read upon a device of the prior art. An illustration of that prior art device, and a consideration of its implications with respect to claim 5, might be further illuminating. The *Associated* record revealed that the said prior art device was the Marschalk tuner, shown and described in the Marschalk patent beginning on page 639 of Vol. III of the *Associated* record. The pertinent figure from this patent is here reproduced.

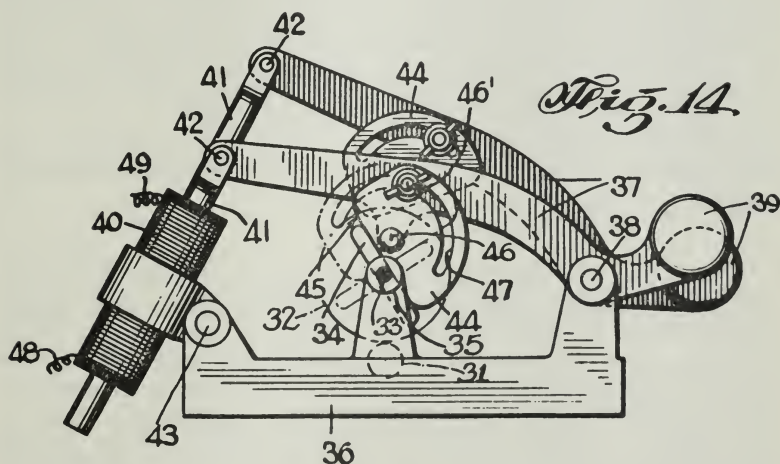


Fig. 14 from Marchalk patent.

Let us see how it responds to claim 5. [R. Vol. II, p. 170.]

“5. The combination with the tuning mechanism of a radio apparatus,”

The specification and other figures of the Marschalk patent showed that the Marchalk device was combined with such a tuning mechanism.

“of a rotatable rocker mounted upon a shaft operatively connected with said mechanism,”

Marschalk's rocker 34 was so connected.

“said rocker having two arms each extending on a different side of said shaft”;

The portions of a rocker, lever or rockshaft that lie on opposite sides of an axis, pivot or shaft are usually referred to as *arms*. So the *arms* in Marschalk are the parts of the rocker that lie on opposite sides of the shaft 33.

“means movable about a pivot and acting upon operation in one direction to slidably engage either arm of said rocker and push it in one direction to an angular position at which the movement of said rocker is arrested by the collision of said means and the oppositely moving other arm of said rocker”;

Marschalk's member 44 responds to this language in exact detail.¹

¹Marschalk refers to this member throughout his specification as a “plate.” A similar element, acting upon bars that move straight up and down, is called a “rocker” in the Schaefer patent, which appears in the *Associated* record beginning on page 586 of Vol. III. In the specification of the reissue patent here in suit it is called a “tappet,” but in plaintiffs' brief it is frequently referred to as a “cam.” To avoid possible confusion because of the various terms that one might select for this member, it is designated in claim 5 and some of the other claims of the reissue by the more descriptive term “means movable about a pivot,” accompanied by a recitation of what it does.

“and a spring for holding said means in a normally inoperative position.”

This, of course, is not present in the Marchalk tuner. It uses a weight 39 for this purpose. But the spring is a mere mechanical equivalent of a weight in moving the tappet *up*, just as a plunger is a mere mechanical equivalent of a lever for moving the tappet *down*. Since it makes no difference how the tapped is moved *up* or *down*, Leishman did not expect the courts would sustain claim 5, which was differentiated from the Marchalk device by the mere recitation of a spring instead of a weight. Claim 5 thus seemed clearly invalid, because it did not set forth any of the novel structural features of the rocker and tappet which distinguish the Leishman combination from that of Marschalk.

Some courts require that a claim be completely disclaimed or else modified by a qualifying disclaimer when it is discovered to be invalid. If a qualifying disclaimer had been filed, it would have been necessary that such disclaimer limit the claim to apply merely to rocker and tappet combinations in which these elements are constructed to permit the coaxial relationship when they are completely engaged. But claims 7 and 8 already covered such combinations: so claim 5 as thus modified would have been superfluous. It was consequently disclaimed in its entirety.

The disclaimer of claim 5 thus had nothing whatever to do with levers or plungers.

Claim 5, though later disclaimed, showed that Leishman did not regard either a lever or a plunger as essential to his invention. It mentioned neither.

It is significant that the plaintiffs have never made any attempt at any time to support the propriety of this Court's omission of claim 5 when it compared the original and reissue patents to determine whether they were for the same invention. They complain because the defendant disagrees with this Honorable Court's decision in the *Associated* case, but they make no attempt themselves to show that the former decision was correct. This was pointed out in footnote 10 of Appellant's Reply Brief, page 30, but the plaintiffs continued to ignore the matter at the hearing.

Claim 5 should clearly have been considered along with the other original claims when examining the original patent to determine the patentee's original intent.

As soon as this proposition is granted, infringement of claims 7 and 8 is at once established, for claim 5 showed that the operating member—whether a lever or a plunger—was not regarded as an essential element in the patentee's combinations. *No operating member was included as an element in this claim. Neither is an operating means included as an element in claims 7 and 8.* Aside from the spring, which is obviously present in plaintiffs' tuners, these claims call only for the rocker and the tappet. This Court found these elements present in the Crosley tuner involved in the *Associated* case. The plaintiffs do not challenge this, but assert that their tuners are the same as the tuner in the *Associated* case insofar as these claims are concerned.

Inasmuch as claim 5 defined a "leverless combination," it cannot properly be held that if the reissue claims do not include levers, the claims, are not for the same invention as the original patent." The reissue claims must be interpreted to mean just what they say.

(d) Irrespective of Claim 5, the Carnegie Steel Doctrine Requires That the Original Patent Be Construed as Contemplating Alternatives for the Levers in Moving the Tappets.

Appellant's Opening Brief quoted from *Carnegie Steel Co. v. Cambria Iron Co.*, 185 U. S. 403, at page 437, in which the Supreme Court expounded the doctrine that "that which is common and well known is as if it were written out in the patent and delineated in the drawings."

Inasmuch as the new evidence has shown that plungers and levers were well known alternatives for operating automatic tuners and for moving tappets when the original patent was granted, the *Carnegie Steel* decision requires that the original patent be construed as if the use of a plunger for moving the tappet "were written out in the patent and delineated in the drawings." For this reason, irrespective of any other, it cannot be said that if the reissue claims "do not include levers, the claims are not for the same invention as the original patent."

Even if the original patent had contained no claim that did not include a lever, and even if the original objects had not used generic terms for the manually operable member, the foregoing Supreme Court rule will not permit it to be said that if the reissue claims "do not include levers, the claims are not for the same invention."

Although none of the claims at issue call for a specific kind of an operating member, they would nevertheless be infringed by the accused tuner even if every last claim specifically mentioned a lever, because the doctrine of equivalents or the *Carnegie Steel* doctrine would extend the meaning of the term to include all the known substitutes.

IV.

No Ground Remains to Support a Holding of
Non-Infringement.

In the *Associated* case, the present counsel based their defense against the charge of infringement upon the idea that the plungers and levers were not equivalents, and that the Crosley Corporation had done something so unprecedented in their use of direct push rods for automatic tuning that their device was lifted into a different class entirely.²

Now that this defense has been debunked by defendant's proof of the well known equivalency of plungers for levers in this art, opposing counsel have shifted their position and now incorrectly tell the court that it was of course admitted by both sides in the *Associated* case that the use of plungers was old in this art.

²The first evidence in the *Associated* case was taken by deposition in Cincinnati. It included the deposition of Lewis M. Crosley, vice-president of the Crosley Corporation. The following testimony of Mr. Crosley appears in this Court's record of that case, Vol. II, pages 329 and 330:

"Q19. Did you consider that you had anything exclusive in that tuning device for your company's products?"

"A. Yes.

"Q20. What was it?"

"A. We felt that we had overcome the objection to the types of tuning previously used, both manual and electrical, *because of a direct push rod acting to rotate the condenser.*" (Emphasis supplied.)

The contention that plunger-operated tuners were *not* old and that they were developed by the Crosley Corporation was reiterated right along in the present counsel's briefs in the *Associated* case. See the present counsel's previous statements quoted in footnote 4 of Appellant's Reply Brief in the present appeal, page 8.

Opposing counsel stuck to that same defense before the Supreme Court, and even erroneously asserted to the Supreme Court that this Court of Appeals and the District Court had made *concurrent*

Plaintiffs' present position with respect to infringement seems merely to be that the defendant is wrong in not interpreting his claims as limited to *lever*-operated devices. But it has been established, by evidence not previously before the court, that plaintiffs' plungers are equivalents of the levers shown in the patent. *It has now been shown by this brief that the claims are to be literally construed, and that they do not have to be limited to lever operation in order to be for the same invention as the original patent.* If plaintiffs' counsel repeat their previous strategy, when confronted with irrefutable evidence, of trying to make it appear that they never took a position contrary to such evidence, they will now say, "The fact that the reissue claims do not have to be confined to lever operation in order to be for the same invention as the original, was shown by the record in the Associated

findings that plungers and levers were not equivalents, whereas the fact is that the District Court never made any finding at all about equivalents nor anything else pertaining to the issue of infringement.

In Respondent's Brief in opposition to the Petition for Writ of Certiorari, counsel said on page 10:

"The Court of Appeals here held that levers and plungers are not equivalents, and this is complained of by Petitioner. There are many reasons why plungers are not the equivalent of levers . . ."

On the same page, respondent's brief further said:

"But in any case, concurrent findings by the District Court and the Court of Appeals that plungers and levers are not equivalents, give no basis for review by certiorari."

Counsel now piously tells this Appellate Court on page 34 of the Brief for Appellees:

"The fact that both plungers and levers had been used in radio tuners in the prior art was shown by the record in the Associated Wholesale Elec. case and conceded by both parties in that case."

Similar statements were made by Mr. Lyon at the hearing.

Wholesale Elec. case and conceded by both parties in that case.”

To what can they now turn? The defendant has gone through plaintiffs’ brief and can find only one other defense even hinted at. Plaintiffs’ brief tried to make it appear that the patent is concerned only with the simultaneous performance of two tuning operations, that the second rocker and tappet are essential elements in defendant’s combinations, and that this Court meant that infringement was avoided because the Crosley plunger did not move a second tappet.³ That none of these inferences is true was demonstrated in Appellant’s Reply Brief in the portions extending from the bottom of page 10 to the bottom of page 13, to which the Court is respectfully referred.

It was pointed out on page 11 of Appellant’s Reply Brief that the patent specifically pointed out that the invention was intended for tuning “*either a radio set or a television set, or both.*” (Emphasis added.)

None of the claims at issue call for the second rocker or the second tappet.

³This defense was not seriously urged, because plaintiffs stated on page 44 of their brief:

“The devices complained of herein are radio receivers only and have no associated television apparatus. We are concerned in this suit, therefore, *only with the portions of the mechanism of the patent in suit which are designed for tuning a radio receiver.*”

It was shown on page 13 of Appellant’s Reply Brief that opposing counsel have also said that we are not concerned with the second tappet and second rocker, and that the patent may be considered as consisting of *three* elements.

The remarks of Judge Learned Hand in the case of *Claude Neon Lights, Inc. v. E. L. Machlett & Son et al.*, 36 F. (2d) 574, 575, are pertinent here:

“* * * It is the claim which singles out from the complex disclosed those elements which constitute the ‘invention’, and substantially the whole work of the Patent Office lies in determining, not whether the disclosure is new because all of it never is, but whether the claims proposed are. Strictly the disclosure should be used therefore only as the setting of the claims and to find what the words employed really mean. Otherwise courts would have to assume the duties of the office afresh and compose such claims as the prior art might have allowed, had the patentee been farsighted enough to include all possible variants of his meaning. Such a result the decisions have repeatedly repudiated, and it would result in an intolerable burden upon the public, which would be charged not only with a knowledge of the prior art at the time of the application and often earlier, but with a right conclusion as to how much room was left for invention, seldom an easy question.”

The claims here at issue have *singled out* those elements and combinations which have to do with tuning a radio receiver, and the parts that are used for tuning a television receiver are consequently not included. It is the combinations set forth in these particular claims which therefore must be considered when determining infringement.

Had the plaintiffs thought that it was proper to omit claim 5 when examining the original patent to see whether the reissue was for the same invention, the plaintiffs might have urged that the original patent contained no

claim directed to a single rocker and tappet combination. But the plaintiffs have never advocated, nor even attempted to support, the idea that a disclaimed claim should be omitted from an original patent when examining it to determine the patentee's original intent.

When claim 5 is properly considered as a part of the original patent, it further supports the objects in proving *that the patentee intended right from the start that his tuner could be used with only one rocker and a single tappet.*

In determining infringement, each claim stands alone.

It might be well here to repeat one of the previously quoted paragraphs from the Supreme Court opinion in the *Altoona* case, *supra*. The following is from the Court's decision at page 459:

“The Court of Appeals, in upholding the patent, made no examination of its separate claims, but treated the patent throughout as though it were a combination of five distinct elements, the photo-electric cell, the arcuate flexing of the film, the flywheel, the flexible connection of the flywheel, and the optical slit, although nowhere in the patent is any such combination claimed. The patent thus upheld is one which was neither claimed nor granted. Under the statute, it is the claims of the patent which define the invention. (Citing cases.)”

When examining each claim individually, as shown in the previous briefs, it will be found that the operating member is not even included as an element in claims 7 and 8. These claims are confined to the tappet and rocker, constructed and arranged as shown in the drawings and described in the specification, *and as embodied in the accused tuners.*

The other claims call in addition for a manually movable operating means or members for moving the tappet. This of course can be either a plunger or lever or any other member that will perform this function.

Claims 7 and 8 were read upon the accused tuners on pages 22 and 23 of Appellant's Opening Brief, and claims 9, 10 and 11 were discussed on pages 48, 49 and 50.

No ground remains for withholding a decision that the claims are clearly infringed.

V.

Important Considerations Regarding Stare Decisis.

In their brief and also at the hearing the plaintiffs have urged that this Court's previous holdings should not be reconsidered. Although the earlier decision is not *res adjudicata* with respect to the present litigants, the plaintiffs urge at the bottom of page 27 of their brief: "The rule of law is not and should not be different with respect to the rights of different people or corporations. Uniformity of law is necessary to equal justice." That was a major thesis of counsel's remarks at the hearing.

What law shall be the standard? The law of the Ninth Circuit, or the law of the Tenth Circuit? The correct answer is not necessarily either: for if the law is in error, the principle of uniformity produces not equal justice, but equal injustice.

Plaintiffs' thesis clearly means that if a patent is once held invalid or not infringed, such ruling shall be considered as *res adjudicata* with respect to all other alleged infringers. That doctrine would nullify the rules of the Supreme Court that permit the issues of validity and infringement to be relitigated with respect to parties who

were not involved in the first suit. This rule was discussed in the decision in the case of *Triplett et al. v. Lowell et al.*, 297 U. S. 638, 56 S. Ct. 645, 648, cited on pages 49 and 50 of Appellant's Reply Brief.

The courts have repeatedly held that the doctrine of *stare decisis* shall not be used for the perpetuation of error. The Supreme Court has never hesitated to re-examine its old decisions and to render new opinions in conformity with more complete evidence, a wider investigation of the law, or a mere change of viewpoint even when the facts have been the same. American courts strive always for the more perfect justice.

In *Genesee Chief v. Fitzhugh*, 12 How. 443, 456, 13 L. Ed. 1058, 1064, the Supreme Court said:

"It is the decision in the case of *The Thomas Jefferson* which mainly embarrasses the court in the present inquiry. We are sensible of the great weight to which it is entitled. But at the same time we are convinced that, if we follow it, we follow an erroneous decision into which the court fell, when the great importance of the question as it now presents itself could not be foreseen; and the subject did not therefore receive the deliberate consideration which at this time would have been given to it by the eminent men who presided here when that case was decided."

The Supreme Court also reversed itself in the case of *United States v. Nice*, 241 U. S. 591, 601, 60 L. Ed. 1192, 1196, 36 Sup. Ct. Rep. 696:

"We recognize that a different construction was placed upon section 6 of the act of 1887 in *Re. Heff*,

197 U. S. 488, 49 L. ed. 848, 25 Sup. Ct. Rep. 506, but, after re-examining the question in the light of other provisions in the act, and of many later enactments, clearly reflecting what was intended by Congress, we are constrained to hold that the decision in that case is not well grounded, and it is accordingly overruled.”

The same striving for the more perfect justice appears in the Supreme Court case of *Boston Store of Chicago v. American Graphophone Company and Columbia Graphophone Company*, 246 U. S. 8, 25, 62 L. Ed. 551, 558, 38 Sup. Ct. Rep. 357, Ann. Cas. 1918C 447:

“In other words, it required once again a consideration of the doctrine which had been previously announced in *Henry v. A. B. Dick Co.* * * * Comprehensively reviewing the subject, it was decided that the rulings in *Bauer v. O’Connel* and *Straus v. Victor Talking Mach. Co.* conflicted with the doctrine announced and the rights sustained in *Henry v. A. B. Dick Co.* and that case was consequently overruled.”

In *T. J. Terral v. Burke Construction Company*, 257 U. S. 529, 533, 66 L. Ed. 352, 354, the Supreme Court said:

“It follows that the cases of *Doyle v. Continental Ins. Co.*, 94 U. S. 535, 24 L. ed. 148, and *Security Mut. L. Ins. Co. v. Prewitt*, 202 U. S. 246, 50 L. ed. 1013, 26 Sup. Ct. Rep. 619, 6 Ann. Cas. 317, must be considered as overruled, and that the views of the

minority judges in those cases have become the law of this court.”

In *Lee v. Chesapeake & O. R. Co.*, 260 U. S. 653, 659, 67 L. Ed. 443, 446, 447, the same statutory provisions were involved, and the facts were like those in a previous case, but the Supreme Court did not hesitate to render a different opinion.

“The plaintiff’s contention to the contrary is predicated largely on a decision by this court in *Ex parte Wisner*, 203 U. S. 449, 51 L. ed. 264, 27 Sup. Ct. Rep. 150, which, it must be conceded, is not in accord with the views expressed in this opinion. In that case the facts were like those here and the same statutory provisions were involved. * * * We had occasion to criticize it” [the *Wisner* opinion] “in *General Invest. Co. v. Lake Shore & M. S. R. Co.*, *supra*, and now, we feel constrained to pronounce it essentially unsound, and definitely to overrule it.”

This court should not hesitate to re-examine its old opinion in the *Associated* case. That such a re-examination may be in order is definitely indicated by the fact that the U. S. District Court for the West District of Oklahoma did not see fit to follow this Court’s former opinion notwithstanding the fact that it was strongly urged and the devices involved were admittedly the same insofar as the claims were concerned:

“The tuners referred to in Finding 26 do not differ in any essential respect, so far as the question of in-

fringement is concerned, from the tuner manufactured by Crosley Corporation of Cincinnati, Ohio, titled *Le-Roy J. Leishman v. Associated Wholesale Electric Co.*, tried in the Southern District of California and reported in 36 F. Supp. 804. *In said action, the Circuit Court of Appeals for the Ninth Circuit rendered its opinion, reported in 137 F. (2nd) 722.*" (Emphasis added.) Finding of fact 27, *Leishman v. The Richards & Conover Co.* See Vol. I of the present record, p. 59.

"7. The reissue patent No. 20,827, and especially claims 7, 8, 9, 10 and 11 thereof, are for the same invention as patent 2,108,538; and it appears, from the face of the said patent 2,108,538, that plaintiff intended to claim the invention now claimed by claims 7, 8, 9, 10 and 11 in the reissue patent No. 20,827.

8. The reissue patent No. 20,827 conforms in all respects with the requirements of Section 4916 of the Revised Statutes."

* * * * *

"11. The tappet or positioning element described in plaintiff's reissue patent No. 20,827 may be mounted either on a lever or a plunger to move the tappet, since a lever and a plunger perform their functions in the same way and are mechanical equivalents.

* * * * *

"16. The use of plungers for operating mechanical automatic tuners was known long prior to plaintiff's development of his patented structure set forth in the reissue patent in suit." [R. Vol. I, pp. 54, 55 and 56.]

“6. Claims 7, 8, 9, 10 and 11 of the reissue patent No. 20,827 are clearly valid, and clearly infringed due to the use of tuning devices in the following radio receiver sets manufactured by said Galvin Manufacturing Corporation and sold by defendant: Models 25F, 26C, 26C-7, 27D, 28-O, 30-P, 29-B, and 29B-6. This finding is made without any regard to any commercial success which plaintiff’s tuners have attained.”

* * * * *

“26. The infringing tuners sold by defendant are exemplified generally by the defendant’s exhibits G and H. These infringing devices were manufactured respectively by Radio Condenser Company and General Instrument Corporation, which are the joint plaintiffs in an action now pending in the District Court of the United States, Southern District of California, Central Division, and entitled: Radio Condenser Company and General Instrument Corporation v. LeRoy J. Leishman, No. 4395 B. H.” [R. Vol. I, pp. 53, 54 and 59.]

This Honorable Appellate Court, like the U. S. District Court for the Western District of Oklahoma, now has evidence before it that was not in the record of the *Associated* case. Furthermore, this court has now been briefed on pertinent legal points that were not discussed by counsel for either side in the *Associated* case either in the briefs or at the hearing. In accordance with the law and the evidence now before it, this Honorable Court should hold that the accused tuners are clear infringements of the claims here at issue.

VI.

The Plaintiffs Prepared the Defense in Oklahoma and Are Therefore Bound by the Oklahoma Judgment.

At the hearing on this appeal, plaintiffs' counsel incorrectly informed this Court that the defendant admits that all the plaintiffs did in Oklahoma was lend the Oklahoma defendant a couple of models. This statement was made in counsel's concluding remarks, and defendant therefore had no opportunity to rebut it. The truth is that the defendant has contended all along that the plaintiffs prepared the entire defense that was presented at the Oklahoma trial.

The plaintiffs studied the prior art, decided what the defense should be, designed models to illustrate that defense, built the models at their own expense, and furnished these specially constructed models to the trial attorney for the Oklahoma defendant at his request. The explanation and demonstration of these models constituted the entire defense that was presented at the Oklahoma trial. All this was brought out by the affidavit of plaintiffs' own attorney, Maxwell James, and by the portions of the Oklahoma trial transcript that were introduced in the present record and discussed in appellant's briefs.

Plaintiffs' insistence in their briefs that these models were not constructed especially for the Oklahoma trial, implies that the plaintiffs believe it might have made a difference if Mr. James, their patent attorney, had had them constructed after Attorney Mueller's request for help.

Plaintiffs' advance preparation was calculated to be *far more effective* and *far more to their advantage* as manufacturers in any action in which their tuners might become involved than any last minute action could possibly

have been. When the plaintiffs built the special trial models, they knew that if the models were successful in their purpose, no other defense would be necessary in any suit and that it would make no difference whether the claims were infringed or not.

Defendant's briefs have shown that an explanation and demonstration of these models was the only defense upon which *any* evidence was offered by the Oklahoma defendants.

Let us suppose for a moment that plaintiffs' special trial models had been successful in the purpose for which they were prepared and for which they were furnished to the Oklahoma defendant's attorney. Does anyone doubt that the plaintiffs here would have claimed they were entitled to the benefits of a favorable decision on the ground that they had prepared the defense? Had the present plaintiffs prevailed in their Oklahoma defense, there is certainly ample grounds in this Honorable Court's decisions in the *Anaconda*, *Hy-Lo*, and *National Nut Co.* cases to support a holding that the present plaintiffs were entitled to the benefits of such Oklahoma decision because of the nature of their participation.

As it is, the plaintiffs do not want to be bound—because their special trial models *backfired*.

Instead of holding that these special trial models established the case for the Oklahoma defendant, the court there made finding No. 20, which read:

"20. The structure of defendant's model, Exhibit M, is not a *correct* or *true* representation of the combined teachings of the Marschalk patent 2,072,897 and the Schaefer patent 1,906,106, but was made *after hindsight had shown the advantages of providing*

such a structure. Such a structure could not be arrived at by an ordinary mechanic skilled in the art prior to plaintiff's invention covered by claims 7, 8, 9, 10 and 11 of the reissue patent in suit." (Emphasis added.) [R. Vol. I, pp. 56 and 57.]

The defense prepared by the present plaintiffs, and upon which the Oklahoma defendant relied, thus *failed in its purpose*. The weapon that was especially designed and constructed to blast the Leishman patent, injured the plaintiffs' dealer instead. The plaintiffs should be made to take the consequences. They were accessories before the fact. Their misfortune that the wrong party was injured does not relieve them of the responsibility.

If the plaintiffs are not bound by the Oklahoma judgment, then the way has been opened for manufacturers to keep on participating in customers' suits until they somewhere obtain a favorable decision. All they will need to do is prepare the defense for the customer's attorney, embody it in special self-explanatory models, and supply the models to the customer.

It was clearly improper for the lower court to deny the defendant's motion for permission to make the defense that the plaintiffs were bound by the Oklahoma judgment, and it was a gross injustice for the lower court to render summary judgment against the defendant when he sought the opportunity to establish this defense by a full trial.

"It was error, therefore, on the part of the District Court to refuse to allow the plaintiffs to introduce the testimony offered in support of the issue of privity. Had plaintiffs prevailed on that issue, it would have been unnecessary to inquire into the validity of the patent or its infringement." *Carson Inv. Co. v. Anaconda Copper Mining Co.* (C. C. A. 9), 26 F. (2d) 651, 657.

The defendant contends that the evidence which he was able to produce in support of his motion for permission to amend the pleadings, was in and of itself sufficient to show that the plaintiffs should be bound by the Oklahoma judgment. There is every reason to believe that a trial could have brought out a great deal of additional evidence on this point.

What the Second Circuit Court of Appeals said in the case of *Arnstein v. Porter*, 154 F. (2d) 464, 471, is particularly applicable here:

“Illustrative of the dangers, in this respect, of summary judgment, if not cautiously employed, is a recent case in the court below. There the judge refused to grant summary judgment for defendants, despite a mass of impressive affidavits, containing copies of corporate records, the accuracy of which plaintiffs did not deny in their affidavits, and which on their face made plaintiffs’ case seem nothing but a sham; at the trial, however, cross-examination of the defendants revealed facts, theretofore unknown by plaintiffs, that so riddled the defendant’s case as it had previously appeared on the summary judgment motion that the judge entered judgment against them for several million dollars, from which they did not appeal.”

Should this case be remanded for a trial of the issue as to whether the plaintiffs are bound, or for a trial of any other issue, this Court should nevertheless hold that the plungers and levers are equivalents and that defendant’s combination may be operated by either of these well-known alternative means. Such a ruling will be helpful to the lower court in this case, as well as in another case about to be tried in this circuit. It will also avoid a likely, but unnecessary, conflict with the Tenth Circuit Court of Appeals.

VII.

If the Judgment Is Not Set Aside, the Seventh Paragraph of the Injunction Should Be Retained.

When plaintiffs' counsel was discussing this issue at the hearing, the Honorable Judge Bone inquired if it is not true that a suit against a customer is usually already pending when an injunction is issued in a manufacturer's suit restraining the patent owner from proceeding against the manufacturer's customers. That is, of course, true, but there is a great distinguishing difference here. In this instance, the injunction, which excepted the Oklahoma litigation from its operation, did not issue until the Oklahoma action had already been tried and a judgment had been entered in favor of the patentee. That was the first suit to determine the status of the present plaintiffs' tuners with respect to the patent here in suit. No injunction has ever issued at that stage of the game prohibiting the patentee from defending his judgment on appeal.

In the *Kessler v. Eldred* case, relied upon by the plaintiffs, there had been an earlier suit between the litigants in which it had been held that the manufacturer's device was not an infringement. This was *res adjudicata*. The suit against a customer which was stopped by the court, was brought subsequent to the entry of judgment in the manufacturer's favor in the much earlier action.

Other reasons supporting the seventh paragraph of the instant injunction will be apparent if a more complete answer is given to another question of the Honorable Judge Bone. This question, presented to plaintiffs' counsel, concerned the situation that would develop if both the Ninth and Tenth Circuit Courts of Appeals should affirm the conflicting judgments in their lower courts. It was asked if this would not create a situation in which Cir-

cuit Courts of Appeals would be blowing hot and cold upon the same subject.

The answer is *precisely*. But the Supreme Court has held that if one Circuit Court of Appeals blows cold upon a patent, the patentee has a right to see if he can get another Circuit Court of Appeals to blow hot. He has a right to an independent adjudication in another circuit. When this happens, the rules of the Supreme Court provide that it will resolve the conflict.

“Before the establishment of the Circuit Courts of Appeals, an adverse decision as to the validity of a patent in one circuit appears not to have foreclosed litigation of the same issue in another, see *Barbed Wire Patent*, 143 U. S. 275, 12 S. Ct. 443, 450, 36 L. Ed. 154; compare *United States v. American Bell Telephone Co.*, 128 U. S. 315, 372, 9 S. Ct. 90, 32 L. Ed. 450. *That it does not now is IMPLICITLY RECOGNIZED by the practice established under section 240 (a) of the Judicial Code, 28 U. S. C. A., §347 (a) and Rule 38 (5) of this Court (28 U. S. C. A. following section 354)*, that certiorari will not usually be granted in patent cases unless there is a conflict in the decisions of Circuit Courts of Appeals. We conclude that neither the rules of the common law applicable to successive litigations concerning the same subject-matter, nor the disclaimer statute, precludes relitigation of the validity of patent claims previously held invalid in a suit against a different defendant.

“It follows that want of disclaimer of claims previously held invalid can never be set up as a bar *in limine* to the maintenance of a second suit upon those claims, and any others of the patent, since *the patentee is entitled to invoke in that suit the independent*

judgment of the court upon the validity of the claims which have been held invalid.” (Emphasis added.)

Triplett et al. v. Lowell et al., 297 U. S. 638, 56 S. Ct. 645 at 648.

In view of what is said in the foregoing decision, it should be clear that this court has no right to turn off defendant's water in another circuit.

If this court is concerned about the possibility of a conflict between its decision in the *Associated* case and a decision in the Tenth Circuit, the most appropriate thing to do would be to thoroughly re-examine the *Associated* decision in the light of the new evidence and the pertinent law, some of which has been cited for the first time in the present brief.

It is respectfully submitted that that kind of a critical analysis of the *Associated* decision, based upon the newly presented facts and a wider view of the law, will reveal that a new and different opinion should be rendered, as the Supreme Court has consistently done under similar circumstances.

Certainly this Honorable Court should not enjoin litigation in another circuit in order to avoid a possible conflict with its own previous opinions, nor should it prevent its previous opinions from being questioned in this circuit by affirming summary judgments based solely upon the doctrine of *stare decisis*. Such a course is precisely what the plaintiffs have proposed.

Respectfully submitted,

LEROY J. LEISHMAN,

Defendant-Appellant in Propria Persona.

UNITED STATES PATENT OFFICE

1,998,878

PROCESS FOR THE PRODUCTION OF
ETHYLENE OXIDE

Théodore Emile Lefort, Paris, France, assignor
to Société Anonyme; Société Française de
Catalyse Généralisée, Paris, France

No Drawing. Application March 22, 1932, Serial
No. 698,578. In France March 27, 1931

7 Claims. (Cl. 260-155.5)

This invention has for object a process for the production of ethylene oxide which mainly consists in subjecting ethylene to the simultaneous action of the oxygen of air and of water, in presence of a catalyst and, if need be, of hydrogen.

Hydrogen, in case it is employed, in contact with the catalyst, probably plays the part of an agent for accelerating the reaction which can be written as follows:



This reaction takes place at atmospheric pressure but, for commercially carrying the said process into practice, pressure can be employed, for instance a pressure of 50 kilograms per square centimeter, at a temperature between 150 and 400° C.

The following catalysts may be used:

- (1) A mixture of antimony, bismuth, silver, lead, arsenic, nickel and tin, in variable proportions.
- (2) Silver alone.
- (3) Silver activated by introducing therein small proportions of gold, copper or iron.
- (4) The metals: gold, copper, iron, separately or in admixture and in any proportions.
- (5) Silver alone, bismuth alone and antimony alone.
- (6) The following mixtures:

Silver, gold, copper, iron.....	in any proportions
Silver, gold, copper.....
Silver, gold.....
Silver, copper, iron.....
Silver, copper.....
Silver, iron.....
Copper, iron.....

- (7) The mixtures of antimony, lead, nickel and silver.
 - (8) The mixtures of bismuth, nickel, silver and lead.
 - (9) The mixtures of antimony, bismuth, nickel.
 - (10) The mixtures of antimony, bismuth, silver.
 - (11) The mixtures of bismuth and nickel.
 - (12) The mixtures of bismuth and silver.
- And, generally speaking, all the mixtures which can be obtained with the following metals: antimony, lead, bismuth, silver, nickel, tin, arsenic, gold, copper, iron, taken separately, taken

two by two, three by three, four by four, etc., in variable proportions, the mixtures, in the same conditions, of these metals with their oxides, the mixtures of the oxides alone of these metals, in the same conditions.

The ethylene can be obtained from any source of supply: gas from coke ovens, hydrogenation of acetylene, dehydration of ethyl alcohol, and the like.

Water can be admitted in the reaction vessel, either in the liquid state, or as steam.

The oxygen can be the oxygen of the air, this latter gas being introduced into the reaction.

The efficiency of the reaction is increased by diminishing the CO_2 which is formed, by introduction in this reaction of a suitable quantity of water. A suitable volume of CO_2 can also be previously introduced in the reacting gases.

For increasing the yield in ethylene oxide, the process can also be carried out under a pressure lower than atmospheric pressure.

Experiments have shown that silver could be activated by introducing in this body small quantities either of gold or of copper or of iron.

Thus, a mixture containing silver, gold, copper and iron gives very satisfactory results and allows a specific reaction; the only foreign product obtained in the reaction is CO_2 which can be easily removed. Aldehydes formed exist only as traces.

Moreover, the applicant has found that the reaction giving CO_2 is contrarily to previous belief, a reaction of oxidation independent from that giving ethylene oxide and from that giving aldehydes. From experiments effected by the applicant, it results that, if water is introduced in suitable quantity, the reaction is not only facilitated, as above stated, but, in addition, the reaction giving CO_2 probably by direct oxidation of ethylene according to the equation:



is checked, owing, as is probable, to the partial pressure of water. From these experiments, it can be concluded that if a certain quantity of CO_2 is previously introduced, in addition, in the reacting gases, the partial pressure of CO_2 will produce its effect, and the reaction of oxidation of ethylene into CO_2 will be completely checked, resulting in a considerable increase in the efficiency of the operation. Moreover, it is to be noted that, when the synthetic operation is effected under partial vacuum, the yield in ethylene oxide is increased.

Several modi operandi for carrying the process

into practice, will be indicated hereinafter, by way of example only.

Modus operandi I

In a plant constructed for resisting to high pressure, ethylene on the one hand and air on the other hand, are separately compressed by means of suitable compressors.

The mixture of air and ethylene can also be compressed by taking the necessary precautions in order to avoid the risk of explosion.

These two gases will be led, together with hydrogen or not, into a reaction tube resisting to the pressure of several hundreds of kilograms, and heated, for instance, to a temperature above 200° C. This tube communicated moreover with a circulating pump allowing to introduce water under pressure.

The reaction will take place in this tube between ethylene, the oxygen of air, and water. By controlling the outputs, a continuous operation will be obtained. Ethylene oxide thus formed will be separated from the other gases, for instance, by condensation.

Modus operandi II

Silver in powder form, or in the form of a wire gauze, and placed or not on a support or carrier, is introduced in a tube, made for instance of silica, and, after the said tube has been heated to a temperature comprised between 150 and 400° C., a mixture of ethylene, air, water vapour, and hydrogen is caused to pass there-through. The proportion of hydrogen is about 5% of the total mixture. The ethylene oxide produced can be separated from the gases issuing from the tube.

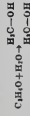
Modus operandi III

A silver colloid is introduced in a high pressure tube which has been filled with water. Pure ethylene under pressure is then added in order that it can dissolve in the water.

The tube is subsequently heated between 150 and 400° C., then air and hydrogen are slowly introduced. The introduction of air is stopped when the totality of ethylene is converted into ethylene oxide.

From ethylene oxide produced according to the processes which have been indicated above, it is possible to obtain, by simple saponification, ethylene-glycol, or by other known methods, any derivative of ethylene-glycol.

The reaction, for obtaining ethylene-glycol, can be written as follows:



The experiments effected by the applicant have shown that, in presence of the catalysts indicated hereafter, in the form of steam or not, considerably faster than the reaction assuring the production of ethylene oxide.

What I claim as my invention and desire to secure by Letters Patent is:

1. A process for the production of ethylene oxide, consisting in subjecting ethylene to the simultaneous action of oxygen and water, in presence of a catalyst, constituted by silver activated by introducing in the body small quantities of a metal selected from a group consisting of gold, copper, and iron, at a temperature between 150 and 400° C.

2. A process for the production of ethylene oxide, consisting in subjecting ethylene to the simultaneous action of the oxygen and water, in presence of a catalyst, constituted by a mixture of silver, gold, copper and iron, at a temperature between 150 and 400 degrees C.

3. A process for the production of ethylene oxide, consisting in subjecting ethylene to the simultaneous action of oxygen and water, in presence of a catalyst constituted by a mixture of silver and gold, at a temperature between 150 and 400° C.

4. A process for the production of ethylene oxide consisting in subjecting ethylene to the simultaneous action of oxygen and steam, in presence of a catalyst constituted by a metal selected from a group consisting of silver, gold, copper and iron, and hydrogen in the proportion of 5 per cent of the total volume, at a temperature between 150 and 400 degrees C., and at a pressure below atmospheric pressure.

5. A process for the production of ethylene oxide consisting in subjecting ethylene to the simultaneous action of oxygen and steam, in presence of a catalyst constituted by a metal selected from a group consisting of silver, gold, copper and iron, and hydrogen in the proportion of 5 per cent of the total volume, and CO₂, and at a pressure below atmospheric pressure.

6. A process for the production of ethylene oxide, consisting in subjecting ethylene to the simultaneous action of oxygen, steam and hydrogen in presence of a catalyst constituted by silver activated with small quantities of gold, at a temperature between 150 and 400 degrees C.

7. A process for the production of ethylene oxide, consisting in subjecting ethylene to the simultaneous action of oxygen, steam and hydrogen in presence of a catalyst constituted by silver activated with small quantities of a mixture of gold and copper, at a temperature between 150 and 400 degrees C.

THÉODORE EMILE LEFORT.

UNITED STATES PATENT OFFICE

20,370

PROCESS FOR THE PRODUCTION OF ETHYLENE OXIDE

Theodore Emile Lefort, Paris, France, assignor, by mesne assignments, to Carbide and Carbon Chemicals Corporation, New York, N. Y., a corporation of New York

No Drawing. Original No. 1,998,878, dated April 23, 1935, Serial No. 600,578, March 22, 1932, Application for reissue September 25, 1936, Serial No. 106,613, in France March 27, 1931

9 Claims. (Cl. 268-54)

This invention provides a specific and novel process for making ethylene oxide. It essentially consists in causing ethylene to combine directly with molecular oxygen at temperatures of about 150° to 400° C. in the presence of a surface catalyst which favors the production of ethylene to ethylene oxide under these conditions. The process can be carried out at atmospheric pressure, and it may also be conducted at pressures above or below atmospheric pressure.

This process is characterized by an entirely unique reaction in which the direct addition of a single oxygen atom to the ethylene molecule occurs without the formation of significant amounts of other oxygenated compounds such as aldehydes. This novel reaction may be expressed as:



and it is accompanied by complete oxidation of some of the ethylene to give carbon dioxide and water according to the equation:



Ethylene from any desired source may be used, including that obtained from coke oven gas, hydrogenation of acetylene, or dehydration of ethyl alcohol. The oxygen can be the oxygen of the air, and can conveniently be mixed with the ethylene prior to the reaction.

The oxidation of ethylene takes place with a giving off of heat, and it is, of course, desirable to maintain the temperature of the zone of reaction within the range specified. This can be facilitated by suitable dilution of the reaction gases, such as that accomplished by the use of carbon dioxide, or by the use of some other source of oxygen, and some water or carbon dioxide may be added that formed can be admitted to the mixture in the zone if desired. Hydrogen may be similarly added.

The process can be conveniently conducted by passing a mixture containing air and ethylene through a tube, for example, of silica or of a material capable of withstanding high pressures, within which is placed such a surface catalyst as one composed of silver in finely divided form, and which may be disposed within the tube on a supporting material, or in other known ways. The temperature of the reaction zone is maintained between about 150° and about 400° C., for example, at about 200° C., and the issuing products from the tube contain ethylene oxide, carbon dioxide and water without objectionable aldehydes.

The ethylene oxide can be recovered in any suitable way, preferably in liquid form by condensation or solution. The surface catalyst is preferably silver as stated, but other metals such as bismuth and antimony may be used. Likewise oxides of these metals or mixtures containing these metals or their oxides may be used. Experiments have also indicated that the catalyst may be silver activated by the addition of small amounts of gold or copper or iron.

In any case, the ethylene and oxygen are thus reacted simultaneously at the temperatures set forth in the presence of a surface catalyst and of water, and the process is conducted to produce ethylene oxide as a direct product in substantial and economic amount. The ethylene oxide can be recovered by known methods, and it may be further reacted to form ethylene glycol or derivatives of ethylene glycol.

I claim:

1. A process for the production of ethylene oxide, consisting in subjecting ethylene to a simultaneous action of oxygen and water at a temperature between 150° and 400° C. in the presence of a catalyst composed of silver activated by small quantities of gold, copper or iron.

2. A process for the production of ethylene oxide, consisting in subjecting ethylene to a simultaneous action of the oxygen and water at a temperature between 150° and 400° C. in the presence of a catalyst composed of a mixture of silver, gold, copper and iron.

3. A process for the production of ethylene oxide, consisting in subjecting ethylene to the simultaneous action of oxygen and water at a temperature between 150° C. and 400° C. in the presence of a catalyst composed of a mixture of silver and gold.

4. A process for the production of ethylene oxide consisting in subjecting ethylene to the simultaneous action of oxygen and steam at a temperature between 150° and 400° C. and at a pressure below atmospheric pressure, in the presence of a catalyst composed of metal selected from a group consisting of silver, gold, copper and iron, and in the presence of hydrogen in the proportion of 5 per cent of the total volume.

5. A process for the production of ethylene oxide consisting in subjecting ethylene to the simultaneous action of oxygen and steam at a pressure below atmospheric pressure, in the presence of a catalyst composed of a metal selected from a group consisting of silver, gold, copper

and iron, and in the presence of hydrogen in the proportion of 5 per cent of the total volume, and of CO₂.

6. A process for the production of ethylene oxide consisting in subjecting ethylene to the simultaneous action of oxygen, steam and hydrogen at a temperature between 150° and 400° C. in the presence of a catalyst composed of silver activated with small quantities of gold.

7. A process for the production of ethylene oxide consisting in subjecting ethylene to the simultaneous action of oxygen, steam and hydrogen at a temperature between 150° and 400° C. in the presence of a catalyst composed of silver activated with small quantities of a mixture of gold and copper.

8. The process of making ethylene oxide by the direct chemical combination of oxygen with ethylene in the proportions of one atom of oxygen to one molecule of ethylene, which comprises forming a mixture containing ethylene and molecular oxygen and conducting said mixture through a confined reaction zone which is maintained at an elevated temperature; controlling said temperature to maintain said mixture in said zone at a temperature between about 150° and about 400° C.; subjecting said mixture in said zone at said elevated controlled temperature to intimate contact with an active surface catalyst of a material having the catalytic characteristics of silver which favors the direct oxidation of said ethylene in said mixture by said molecular oxygen to form oxidation products containing ethylene oxide in the presence of water and which does not favor the existence in said products of substantial amounts of aldehydes; correlating

the passage of said mixture through said reaction zone in the presence of said catalyst and the controlled elevated temperature of said mixture and said catalyst to effect said oxidation of said ethylene directly to form substantial amounts of ethylene oxide; and thereafter recovering ethylene oxide-containing product in liquid form.

9. The process of making ethylene oxide by the direct chemical combination of oxygen with ethylene in the proportions of one atom of oxygen to one molecule of ethylene, which comprises forming a mixture containing ethylene and molecular oxygen and a heat-absorbing diluent and conducting said mixture through a confined reaction zone which is maintained at an elevated temperature; controlling said temperature to maintain said mixture in said zone at a temperature between about 150° and about 400° C.; subjecting said mixture at said elevated controlled temperature to intimate contact with an active surface catalyst material composed essentially of silver which favors the direct oxidation of said ethylene in said mixture by said molecular oxygen to form oxidation products containing ethylene oxide in the presence of water and which does not favor the existence in said products of substantial amounts of aldehydes; correlating the passage of said mixture through said reaction zone in the presence of said catalyst and the controlled elevated temperature of said mixture and said catalyst to effect said oxidation of said ethylene directly to form substantial amounts of ethylene oxide; and thereafter separating ethylene oxide from the products of oxidation.

THEODORE EMILE LEFORT.

DISCLAIMER

Re. 20,370.—*Theodore Emile Lefort*, Paris, France. PROCESS FOR THE PRODUCTION OF ETHYLENE OXIDE. Patent dated May 18, 1937. Disclaimer filed May 14, 1942, by the assignee, *Carbide and Carbon Chemicals Corporation*.

Hereby disclaims claims 8 and 9 of said patent.

[*Official Gazette June 16, 1942.*]

No. 11652.

IN THE
United States Circuit Court of Appeals
FOR THE NINTH CIRCUIT

LEROY J. LEISHMAN,

Appellant,

vs.

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
CORPORATION,

Appellees.

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
CORPORATION,

Cross-Appellants,

vs.

LEROY J. LEISHMAN,

Cross-Appellee.

PETITION FOR REHEARING.

FILED
JUN 2 - 1948

PAUL P. O'BRIEN,

LEROY J. LEISHMAN.

2921 Greenfield Avenue, Los Angeles 34,

In propria persona.

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No. 11652.

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

LEROY J. LEISHMAN,

Appellant,

vs.

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
CORPORATION,

Appellees.

RADIO CONDENSER COMPANY and GENERAL INSTRUMENT
CORPORATION,

Cross-Appellants,

vs.

LEROY J. LEISHMAN,

Cross-Appellee.

PETITION FOR REHEARING.

In this Honorable Court's opinion, dated May 4, 1948, the Summary Judgment granted by Judge Beaumont in the District Court was affirmed on the basis of this Honorable Court's prior decision in the case of *Leishman v. Wholesale Electric Co.*, 137 F. (2d) 722. This decision is in direct conflict with the District Court opinion in *Leishman v. Richards & Conover Company*, on which an appeal is now pending, No. 3577, United States Circuit Court of Appeals, Tenth Circuit.

The full implication of this affirmance of Judge Beaumont's decision may not have been apparent to this Honorable Court.

Under the doctrine of this Honorable Court's ruling, *no litigant is entitled to his day in court* so long as there is a decision by the Circuit Court of Appeals that is contrary to the *litigant's stand*. It is clear that the doctrine of an earlier case cannot be applied *until all of the evidence is in*. If there is the least inkling of a doubt, summary judgment should never be granted; and this has been time and again insisted upon in all of the pertinent authorities relating to summary judgment, one of which, perhaps, sums this situation up as well as any. Thus, in *Arnstein v. Porter*, C. C. A. 2, 154 F. (2d) 464, at page 471:

“Illustrative of the dangers, in this respect, of summary judgment, if not cautiously employed, is a recent case in the court below. There the judge refused to grant summary judgment for defendants, despite a mass of impressive affidavits, containing copies of corporate records, the accuracy of which plaintiffs did not deny in their affidavits, and which on their face made plaintiffs' case seem nothing but a sham; at the trial, however, cross-examination of the defendants revealed facts, theretofore unknown by plaintiffs, that so riddled the defendants' case as it had previously appeared on the summary judgment motion that the judge entered judgment against them for several million dollars, from which they did not appeal.”

Denial of the appellant's day in court has far-reaching results which will now be discussed.

Should appellant attempt to obtain a decision from any other Circuit Court of Appeals upholding his rights un-

der the patent at issue, the adverse party to that litigation could come into the Ninth Circuit, pray for declaratory relief (just as appellee did here) and obtain a rubber-stamped decision precluding appellant from ever trying the issues in any other jurisdiction. Once a litigant is faced with an adverse decision in this circuit, his hands would be forever tied; and, no matter where another suit would be started, declaratory relief would come to the aid of the adverse litigant, and he could rely upon the doctrine established in this case. No longer would it be possible for a patentee to carry his case to the Supreme Court for reconciling conflicting decisions; instead, the decision of *one* Circuit Court of Appeals would prevail over the entire United States.

Let us suppose that this Honorable Court had held that appellant's patent was valid and infringed in the *Associated* case. Then applying the doctrine of *stare decisis* any subsequent defense against that patent could be ruled out without a trial. The injustice of thus perpetuating possible error in a decision of the Circuit Court of Appeals is now apparent. Such a litigant would be faced with a summary judgment, just as appellant is here, and there would be no way in which he would be entitled to a full trial on the merits in an effort to show the error, if any there be, in a prior adjudication.

Appellant fully appreciates the force of the doctrine of *stare decises*; but that doctrine should not and cannot be applied until all of the evidence is in after a full trial on the merits. It is difficult, if not impossible, to evaluate what might occur in the course of the trial; and this was the basis for the decision in *Arnstein v. Porter, supra*.

Nor should the doctrine of *stare decisis* be so strongly urged where there is but *one prior* decision attempting to

establish a rule of law, and where another court has come to a fully contradictory conclusion.

Justice demands that a litigant be given his opportunity to assert and prove his case in the District Court. Even if the District Court should rule against him, such a litigant must be accorded the right to argue before this Honorable Court on the basis of all of the evidence taken in a full trial.

If the prior Associated case had attained the position of being *res judicata* in *this* litigation, then of course this Honorable Court's decision would have been proper. But between *different* litigants, either of them must have the right to show that the determination of an *ultimate fact* (*e. g.* of infringement in this case) is erroneous by additional fact testimony.

By summarily disposing of appellant's rights, as occurred in this proceeding, an error, once made by the Circuit Court of Appeals, would be merely strengthened and reaffirmed in all succeeding decisions, without any opportunity to cross-examine the witnesses of the adverse party or fully to develop his own case.

Regarding the issue raised in defendant's supplemental counter-claim, which the defendant sought permission to file, this Honorable Court erroneously stated that the defendant made no verified showing and that the allegations in the proposed counter-claim had been overcome by the affidavit of Maxwell James, submitted in plaintiffs' behalf. The affidavit of Maxwell James was filed on June 28, 1946 [R. Vol. I, p. 69], and not on July 8, 1946, as

stated in the opinion. Leishman's affidavit, which was filed on July 8, 1946 [R. Vol. I, p. 72], was thus filed subsequent to the James affidavit, and many of the allegations and accusations therein were thus not discussed in the James Affidavit.

The defense that the plaintiffs are bound by the Oklahoma judgment, is a defense on which witnesses have to be examined and cross-examined, and all of the evidence can not be adduced in advance of a trial so that it can be presented in affidavit form; but there was a verified showing in defendant's second affidavit [R. Vol. I, pp. 69 to 72] of at least sufficient participation to show that this defense was far from a sham and that it was at least within the range of possibility that the examination and cross-examination of witnesses could unearth additional evidence. None of the allegations in defendant's affidavit were overcome by the James affidavit; in fact, the James affidavit admitted some of the acts of participation alleged in the counter-claim which the defendant sought permission to enter. Numerous decisions with respect to summary judgments are to the effect that they should never be granted if there is even the slightest possibility that the opposing party might prevail. Certainly it cannot be said in this case that there is not even a remote chance that the defendant might establish this issue. The defendant insists that the case of *Arnstein v. Porter, supra*, is very much in point here.

Footnote 9 on page 5 of the pamphlet opinion says that a certified copy of the Findings of Fact, Conclusions of

Law and Judgment in the Oklahoma case were filed long after the appeals were taken. It would appear that this may have been the basis for the statement that there was no verified showing, and the court may have meant that defendant's motion under Rule 15d was not supported by a certified copy of the Oklahoma Findings of Fact, Conclusions of Law and Judgment. The filing date of May 29, 1947, given on page 63 of Volume I of the record, is a clerical error.

It will be noted that in Leishman's Second Affidavit in Support of Motion under Rule 15(d), filed July 8, 1946, the statement is made in paragraph 10 [R. Vol. I, p. 72] that a certified copy of the Findings of Fact, Conclusions of Law, and Judgment in the Oklahoma action were *then* on file. Page 62 of the record shows that the judgment in the Oklahoma case was entered on June 10, 1946, and page 63 verifies that the Findings of Fact, Conclusions of Law and Judgment were certified on that very day. That is because defendant was proceeding with dispatch to get a certified copy in Los Angeles for filing at the earliest possible time. It was rushed to Los Angeles by air mail and was presented to Judge Beaumont personally for entry in the record during a hearing on June 11, 1946—the very day after the Oklahoma judgment was entered. This hearing is referred to in paragraph (3) of the James affidavit on page 66 of the record. A certified copy of pages 5, 6 and 7 of the transcript of the hearing before Judge Beaumont on June 11, 1946, is being filed with this Honorable Court with the Petition for Re-hearing, and it is printed as an appendix to this petition.

There was thus a certified copy of the Oklahoma Findings of Fact, Conclusions of Law and Judgment in the record before Judge Beaumont on June 11, 1946, and the Motion under Rule 15d was thus properly supported and should have been granted.

This Honorable Court should not deprive defendant of his right to make the Supplement Counter-Claim and to a trial of the issue therein raised, because of a clerical error.

Defendant urges that this Honorable Court should also reconsider its action in modifying the injunction so as to enjoin the defendant from proceeding against the Galvin Manufacturing Company. The affidavit of Maxwell James sets forth [R. Vol. I, p. 67] that the Galvin Company assumed the defense of the Oklahoma suit, and Finding of Fact No. 3 in that action [R. Vol. I, p. 53] states that the Galvin Manufacturing Corporation is bound by the judgment.

In view of the admission by opposing counsel Maxwell James and the Finding of the U. S. District Court for the Western District of Oklahoma, it should be clear that the Galvin Manufacturing Corporation *is* bound by the Oklahoma judgment; and this Honorable Court should therefore not enjoin the defendant from enforcing that judgment against the said Galvin Manufacturing Corporation.

The defendant also wishes to point out that a trial of the issue of validity could have affected the issue of infringement in a very material way, because a proper determination of the nature and extent of the invention

has a direct bearing upon the interpretation and extent of the claims. Judge Harrison, for example, in his opinion in the *Associated* case reported in 36 F. Supp. 804, at 805, says: "The physical part of the patent consists of a rocker and an adjustable tappet." If this is correct, the operation of the tappet by either a plunger or a lever can have no bearing upon the infringement of claims like claims 7 and 8, which do not call for any operating member of any kind.

"It has come to be recognized, however, that of the two questions, validity has the greater public importance. (*Cover v. Schwartz* (C. C. A. 2d), 133 F. (2d) 541, and the District Court in this case followed what will usually be the better practice by inquiring fully into the validity of the patent."

Sinclair and Carrol v. Inter Chemical Corp., 325 U. S. 327, 330, 65 S. Ct. 1143, 1145.

Defendant urges that this Honorable Court should grant a rehearing on the appeal and cross-appeal.

Respectfully submitted,

LEROY J. LEISHMAN.
In propria persona.

Certificate.

This petition is in my judgment well founded and it is not interposed for delay.

LEROY J. LEISHMAN.
In propria persona.

APPENDIX.

Now, I think the importance and the significance of these issues, these two that I have mentioned, has been shown by what happened in the trial before the District Court for the Western District of Oklahoma in the case of Leishman v. Richards & Conover Company.

The decision there was rendered after a full trial, after evidence was presented that was not before the Tenth Circuit Court of Appeals, and after witnesses testified and were cross-examined.

The Court: Before the Tenth Circuit Court of Appeals?

Mr. Leishman: Yes; the evidence that we presented there on the matter of infringement and the matter of equivalency was all evidence that was not before the Circuit Court of Appeals here.

The Court: I thought you said the Tenth Circuit. Did you mean the Tenth Circuit?

Mr. Leishman: I did. I mean the Ninth Circuit. I am glad you caught that.

The court there held that the plungers and levers are clearly equivalents and that claims 7 to 11 of the reissue patent are clearly infringed.

I have received today a certified copy of the signed Findings of Fact and Conclusions of Law, and also the Judgment in the case there, which I would like to make of record in this case. I have the certified copy here, and I will be glad to give Mr. Lyon a copy identical to it.

I would like to call your Honor's attention particularly to findings 6, 11, 12 and 16.

Finding 6 says:

"Claims 7, 8, 9, 10, and 11 of the reissue patent"—

By the way, they are the same claims at issue here.

"reissue patent No. 20,827 are clearly valid, and clearly infringed due to the use of tuning devices in the following radio receiver sets manufactured by said Galvin Manufacturing Corporation and sold by defendants:"

And the numbers of the models are listed.

"This finding is made without any regard to any commercial success which plaintiff's tuners have attained."

Then 11 on page 3 of the findings reads:

"The tappet or positioning element described in plaintiff's reissue patent No. 20,827 may be mounted either on a lever or a plunger to move the tappet, since a lever and a plunger perform their functions in the same way and are mechanical equivalents."

Finding 12 is equally in point—

Mr. Lyon, Sr.: Are these supposed to have been signed, Mr. Leishman?

Mr. Leishman: Yes.

Mr. Lyon, Sr.: The copy you gave me isn't.

Mr. Leishman: The certified copy is the one I just gave to Judge Beaumont.

Mr. Lyon, Sr.: When was it signed?

Mr. Leishman: Yesterday. It arrived here this morning by special delivery air mail.

Finding 12:

“The finding 11 is based not only upon the evidence offered on behalf of plaintiff, but also upon the direct testimony of defendant’s expert, Dr. Spotts, who testified to the effect that the substitution—”

The Court: What are you reading from there?

Mr. Leishman: This is finding 12.

The Court: All right.

Mr. Leishman: “The finding 11 is based not only—”

The Court: I read that.

Mr. Leishman: Finding 16 is similarly in point.

“The use of plungers for operating mechanical automatic tuners was known long prior to plaintiff’s development of his patented structure set forth in the reissue patent in suit.”

The Oklahoma decision was a practical demonstration that

District Court of the United States, Southern District of California, Central Division.

United States of America, Southern District of California—ss:

I, Edmund L. Smith, Clerk of the United States District Court for the Southern District of California, do hereby certify that the foregoing is a full, true, and correct copy of pages 5, 6 and 7 of the Reporter's Transcript of Proceedings dated Tuesday, June 11, 1946, in the matter of "Radio Condensor Company and General Instrument Corporation v. Le Roy J. Leishman, No. 4395-B-Civil. Filed June 28, 1946, as the same appears from the original record remaining in my office.

Witness my hand and seal of said Court, this 27th day of May, A. D. 1948.

(Seal)

EDMUND L. SMITH,
Clerk,

By EDWARD F. DREW,
Deputy Clerk.

